

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UNSTARRED QUESTION NO. 2719

ANSWERED ON MONDAY, MARCH 9, 2026/ PHALGUNA 18, 1947 (SAKA)

Loans against Silver and its Impact on Financial Inclusion

2719. SHRI M K RAGHAVAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has issued guidelines permitting banks to provide loans against silver with effect from 1 April, 2026, if so, the salient features of the scheme, including eligibility norms, valuation methodology, loan- to- value ratio and safeguards against misuse;
- (b) whether the Government has assessed the impact of such loans on financial inclusion, particularly for rural households, informal workers, artisans and low- income families who traditionally hold silver as savings, if so, the details thereof;
- (c) whether mechanisms are in place to monitor interest rates, service charges and recovery practices relating to silver- backed loans to prevent exploitative lending, if so, the details thereof;
- (d) whether any assessment has been conducted on risks arising from silver price volatility and measures proposed to protect small borrowers from distress recovery, if so, the details thereof; and
- (e) whether cooperative banks, regional rural banks and scheduled commercial banks are permitted to extend such loans uniformly nationwide and if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (e): Reserve Bank of India (RBI) has informed that comprehensive Directions on Lending Against Gold and Silver Collateral was issued on 6.6.2025 (since subsumed under the Directions on "Credit Facilities" issued to various Regulated Entities (REs) on 28.11.2025). The said Directions, inter- alia, consolidate and harmonise lending norms against silver collateral across all REs- Commercial Banks, Co- operative Banks, and Non-Banking Financial Companies (NBFCs) with effect from April 1, 2026.

The salient features of the said Directions include, inter- alia, the following:

- detailed credit assessment, including assessment of borrower's repayment capacity to be undertaken in case the total loan amount is above ₹2.5 lakh to a borrower;
- maximum permissible Loan to value ratio (LTV) not to exceed 85% for total consumption loan amount of ₹2.5 lakh or below;

- all communication with the borrower to be in the language of the region or in a language chosen by the borrower;
- renewal of bullet repayment loans on payment of accrued interest, if any;
- standardization of key aspects such as loan documentation and agreement, collateral management, compensation, and auction process.
- uniform standardised assaying procedure across all branches to determine the purity, and weight of silver collateral. Valuation must be based on the lower of the 30-day average or previous day's closing price as published by India Bullion and Jewellers Association Ltd. or a SEBI-regulated commodity exchange, reckoning only the intrinsic silver content.

Further, with regard to impact of such loans on financial inclusion, RBI has informed that the said directions contain several features with the objective of achieving financial inclusion:

- maximum LTV of 85% for loans up to ₹2.5 lakh ensures that small borrowers can unlock the maximum value from their silver holdings
- lenders may renew an existing loan or sanction a top-up loan upon formal request from the borrower, within permissible LTV limits, providing continued and flexible credit access
- loans for income-generating purposes including farm credit, directly benefiting agrarian households and rural artisans
- several conduct-related measures, including transparency in valuation, adequate prior notice, a reserve price floor of 90% of current collateral value, and mandatory refund of auction surplus to the borrower protect vulnerable borrowers from distress-sale during recovery.

Furthermore, the credit related matters of REs, including rate of interest, service charges, etc., are largely deregulated and the same are governed by the Board approved loan policies of the REs framed under the ambit of relevant regulatory as well as statutory requirements and terms and conditions of the loan agreement.

The directions also address fair lending conduct through transparency and procedural safeguards such as upfront disclosure of all charges, standardized documentation, fair auction and recovery practices, compliance with outsourcing and recovery guidelines, compensation for delay in release of pledged collateral by the lender, etc.

With regard to assessment of risk from volatility in prices of silver, RBI has informed that such risk is addressed under the Directions through prescription of maximum LTV ratios for consumption loans, which range from 75% to 85%. In case of bullet repayment loans, LTV requirement must be computed with reference to the total amount payable at maturity, which addresses the volatility in silver prices, if any, during the tenor of the loan. In addition, to address sharp and rapid increases in gold or silver prices, the guidelines require the eligible loan amount to be calculated with reference to the lower of average price of silver over the preceding 30 days or the price of the immediately preceding day, instead of being based solely on the latter.