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Gold loans: Inclusion engine or leverage trap?

Gold loans are often layered onto existing liabilities, suggesting they are a conduit for rising household leverage

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Indian households' fascination with gold seems insatiable. Estimates suggest that households hold between $2.4 trillion and $10 trillion worth of gold, by some measures exceeding annual GDP and accounting for nearly 65 per cent of non-property wealth.

For decades, economists have viewed this as a constraint on growth, as gold neither finances productive investment nor circulates through credit markets, and hence lacks the multiplier effects associated with other financial assets. It preserves wealth, but does not deploy it. Unlocking its macroeconomic potential, therefore, requires systematically channelling it into the formal economy. Even a gradual shift of a portion of this gold into financial channels through monetisation schemes, collateralised lending, and gold-linked savings instruments could have significant macroeconomic effects.

There have been signs of a promising shift. According to the RBI's latest Financial Stability Report, gold loans have emerged as the fastest-growing segment of non-housing retail loans, driven by soaring gold prices and rising demand for secured borrowing. The segment has been growing at a CAGR of 42.4 per cent since March 2024, nearly twice the pace of overall non-housing retail loans (23 per cent) during the same period. The report also noted that both banks and NBFCs have significantly expanded their gold loan portfolios in 2025-26, outpacing growth in other retail loan categories, including housing loans.

Therefore, it is no longer a niche product confined to informal markets. It is now mainstream, driven by banks, NBFCs and digital lending platforms. The expansion is not just in volume, but in scale and behaviour. Average ticket sizes have more than doubled, from about ₹90,000 in 2022 to nearly ₹2 lakh by 2025, while average outstanding per borrower has increased from roughly ₹1.9 lakh to ₹3.1 lakh. Thus, borrowers are not just entering the market but also taking larger and more frequent exposures.

POSITIVE SHIFTS

In addition, there are positive structural shifts. The borrower base is broadening, with an increasing share of prime and above-prime customers. Women borrowers are playing a significant role in driving growth, and newer geographies are emerging as key markets, indicating that the product is deepening financial inclusion.

At one level, this is exactly the sort of financialisation that should take shape. Instead of sitting idle, gold is being used as collateral to unlock credit. For those outside formal income systems, this provides a critical, relatively low-friction entry point to credit markets. Most importantly, it comes with significant macroeconomic upside. Even a gradual shift of gold into financial channels can have large effects. Some estimates suggest that channelling just 2 per cent of household gold annually into financial assets could add as much as $7.5 trillion to GDP by 2047 through multiplier effects.

VALUE CREATION. India's gold story is at an inflexion point GETTY IMAGES

However, the trend may also entail emerging risks. The TransUnion CIBIL Gold Loan Landscape Report (April 2026) highlights some shifts in the borrower profile that complicate the narrative. It would be prudent to closely track emerging behavioural shifts.

By 2025, about 74 per cent of gold loan originations were to borrowers with more than ₹1 lakh in outstanding debt, up from roughly 50 per cent in 2022. At the same time, the share of borrowers with unsecured credit exposure has increased, suggesting that gold loans are often layered onto existing liabilities rather than replacing them. The report also highlights a rise in repeat borrowing and multiple loan holdings. A growing proportion of customers now take concurrent gold loans, and the average number of active gold loan accounts per borrower has increased. This suggests that gold loans are becoming embedded in broader borrowing strategies rather than serving as one-off liquidity tools.

Most concerning is that borrowers with higher gold loan exposure have delinquency rates more than twice those of borrowers with lower gold loan exposure. Those with multiple active loans face the highest default risk, suggesting that leverage, not collateral, drives stress. Therefore, this duality defines the moment as gold loans are both a tool of financial inclusion and a conduit for rising household leverage.

India's gold story is therefore at an inflexion point. The country has a unique asset base, one that few economies possess at this scale. The rise of gold loans offers a pathway to mobilise this wealth. Nonetheless, the same instrument that unlocks liquidity can also amplify risk. The challenge is to turn gold from a store of value to into a source of value creation without increasing systemic risk.

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