GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7087
ANSWERED ON:18.05.2012
GOLD LOAN
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government/Reserve Bank of India (RB!) has directed the banks to reduce their exposure to non-banking financial companies which have granted loans mostly against gold;

(b) if so, the details thereof and reasons therefor; and

(c) the likely impact of such situation on the market and consumers?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): Yes, Sir. Keeping in view the significant growth of Non-Banking Financial Companies (NBFCs) predominantly engaged in lending against collateral of gold jewellery in recent years, both in terms of their balance sheet size and physical presence, Reserve Bank of India (RBI) in its Monetary Policy Statement 2012-13, on April 17, 2012 announced certain prudential regulatory measures, which, inter-alia, stated:

(i) banks should reduce their regulatory exposure ceiling in a single NBFC, having gold loans to the extent of 50 per cent or more of its total financial assets, from the existing 10 per cent to 7.5 per cent of bank`s capital funds. However, exposure ceiling may go up by 5 per cent, i.e., up to 12.5 per cent of bank`s capital funds if the additional exposure is on account of funds the on-lent by NBFC to the infrastructure sector; and

(ii) banks should have an internal sub-limit on their aggregate exposure to all such NBFCs, having gold loans to the extent of 50 per cent or more of their total financial assets, taken together.

(c): These prudential measures are aimed to prevent any systemic risk due to interconnectedness of these NBFCs with banks.