

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4002
ANSWERED ON:20.03.2015
LOAN AGAINST GOLD
Shirole Shri Anil

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has instructed all the Scheduled Commercial Banks (SCBs) to sanction loan against the Gold Jewellery only upto the 75 per cent of the value of the Gold Ornament and Jewellery;
- (b) if so, the details thereof and the reasons for arriving at such a decision;
- (c) whether Government is aware that such decision will cause hardship to customers who opt to pledge gold as a last option and if so, the details thereof;
- (d) whether Government proposes to withdraw this instruction and order the banks to give loan to the full value of gold and jewels; and
- (e) if so, the details thereof and steps taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)

(a) & (b): Yes. Reserve Bank of India (RBI) vide its circular dated January 20, 2014 on 'Lending against Gold Jewellery' has issued guidelines to banks wherein as a prudential measure, RBI has prescribed banks to have a Loan to Value (LTV) Ratio of not exceeding 75 per cent for lending against Gold jewellery (including bullet repayment loans against pledge of gold jewellery).

Gold is a commodity with variable value. In order to safeguard the banks from the effect of the variation in the value of the gold assets against which they have given loans, a loan to value (LTV) ratio of 75% was prescribed for lending against gold jewellery by the above circular. This also helped in bringing the banks at level playing field with Non-Banking Financial Companies (NBFCs), for which certain LTV ratio for lending against gold jewellery was prescribed earlier.

(c) to (e): RBI's mandate is to protect the interest of the depositors who deposit their money in banks which in turn is lent by the banks as loans. The prudential norms and guidelines issued by the RBI are aimed at enabling the banks to maintain a fair economic value of their assets so that the actions taken by the banks are not detrimental to the interest of the depositors. The guidelines are in line with this mandate.

RBI has further informed that it does not intend to withdraw these instructions.