

Policy Brief

Ten Years of India's Gold Financialisation Policies: A Progress Stocktake

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List of Abbreviations

AMC	Asset Management Companies
CA-SA	Current Account - Savings Account
CPTCs	Collection and Purity Testing Centres
ETFs	Electronic Traded Funds
GMS	Gold Monetisation Scheme
IGC	India Gold Coin
INR	Indian Rupee
MLTGDs	Medium- and Long-Term Gold Deposits
RBI	Reserve Bank of India.
R-GDS	Gold Deposit Scheme
R-GML	Gold Metal Loan
SGB	Sovereign Gold Bond

1. Introduction

Gold holds an extraordinary place in Indian society. Beyond its ornamental and cultural value, gold is deeply entrenched in household savings, financial security, and social customs. India remains among the world's largest consumers of gold, with annual imports adding significant pressure to the current account deficit. Recognising the dual challenge of high gold imports and underutilised domestic gold holdings, the Government of India introduced a set of policy instruments in November 2015 to unlock the financial potential of gold reserves held by households, temples, and institutions. The Gold Monetisation Scheme, the Sovereign Gold Bond, and the India Gold Coin initiatives were designed to wean Indians away from physical gold accumulation and encourage investment in monetised or alternative gold products. All three measures had different objectives. The Gold Monetisation Scheme intended to formalise gold holdings by mobilising idle gold into the banking system. The Sovereign Gold Bond aimed to deter investors from investing in physical gold bars and coins and provided an alternative investment avenue backed by gold. The India Gold Coin was a unique concept developed to create a made in India gold coin at par with prominent sovereign back gold coins such as the Swiss Vreneli, the American Eagle, the Chinese Panda or/and the South African Krugerrand. The India Gold Coin further aimed to establish India's credibility as a reliable gold refiner and a minter of standardised coins.

2. A Decade of Performance: Tracking Uptake

Over the last ten years, all three initiatives, i.e. the Gold Monetisation Scheme, the Sovereign Gold Bond and the India Gold Coin underwent several policy reforms and modifications to cater to the need of depositors, investors and buyers as well as create economic viability and operational ease for stakeholders of the gold and gems and jewellery sector including banks, refineries, jewellers and exporters. Provided below is a short snapshot on the performance of these three initiatives over the last ten years.

2.1 The Gold Monetisation Scheme

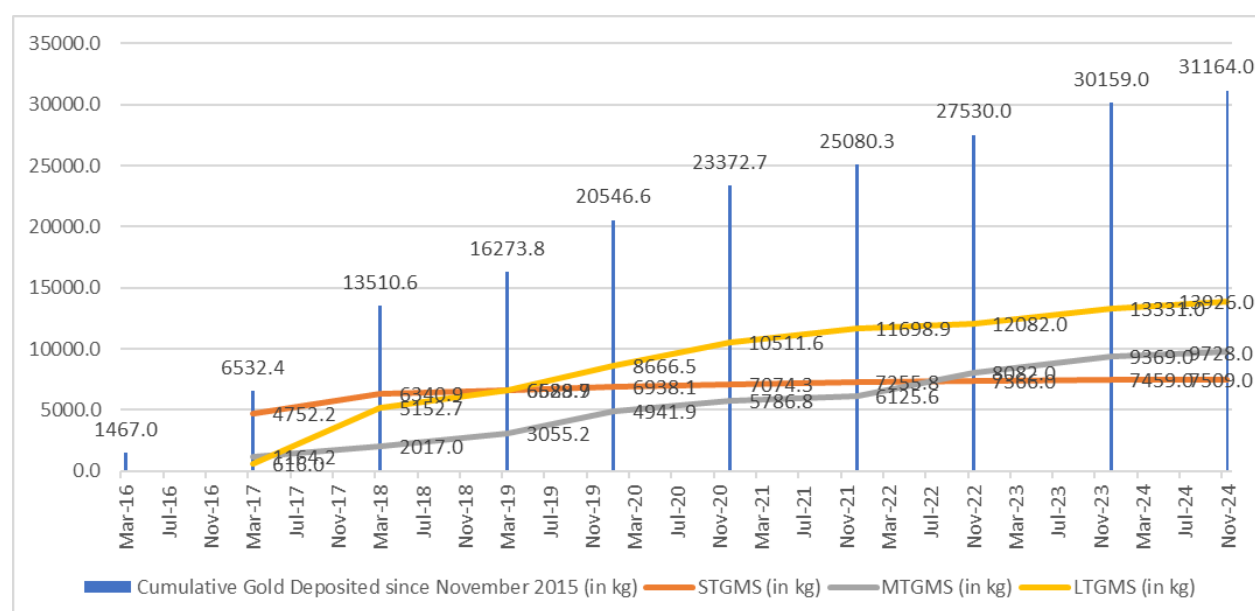
The Gold Monetisation Scheme (GMS) comprised of the revamped Gold Deposit Scheme (R-GDS) and the revamped Gold Metal Loan (R-GML), and was envisaged as a mechanism to channel physical gold into the formal financial system. GMS was started with the intent of encouraging citizens to part with their unutilised house held physical gold and invest them for a period of time to earn interest on them. The Government envisaged to recycle the collected gold by refining and loaning such gold as raw material to jewellers. Deposits under GMS were accepted under three different options, i.e. for short term (1-3 years), for medium term (5-7 years) and long term (12-15 years). The short-term GMS was run by banks where banks accepted gold deposits on their own account, whereas the medium- and long-term GMS were run by banks on behalf of the

Government. Hence, bank decided the interest rate for short term GMS and the Government decided the rate of interest for medium- and long-term GMS. The regulations in GMS could be found in RBI/2015-16/211 Master Direction No.DBR.IBD.No.45/23.67.003/2015-16 notified by the Reserve Bank of India (RBI).

In March 2025, the Ministry of Finance announced the discontinuation of medium-term and long-term GMS from March 26th 2025 onwards, due to their performances and evolving market conditions.¹ The existing deposits under MLTGD shall continue till redemption as per extant guidelines of GMS. Short-term deposits under the scheme, which are run by banks have been allowed to continue at the discretion of the banks undertaking them, based on their commercial viability.

Since its inception in 2015, a cumulative 31,164 kilograms² of gold was collected under GMS (till 30th November 2024), which is a fraction of the estimated 25,000 tonnes of gold lying idle in the Indian household. Institutional participation, particularly from temples and trusts, accounted for a significant portion of this mobilisation. However, uptake among retail investors under R-GDS has been limited due to factors such as lack of awareness, logistical hurdles, and trust deficits in the purity assessment process. The potential of GMLs remains under-realised, constrained by the availability of gold deposits under R-GDS and operational bottlenecks within banks and refiners. Figure 1 shows the cumulative deposit under GMS till November 2024.

Figure 1: Cumulative Deposits under GMS since (November 2015 - November 2024)



Source: Collated from Annual Reports of Department of Economic Affairs, Ministry of Finance, Government of India

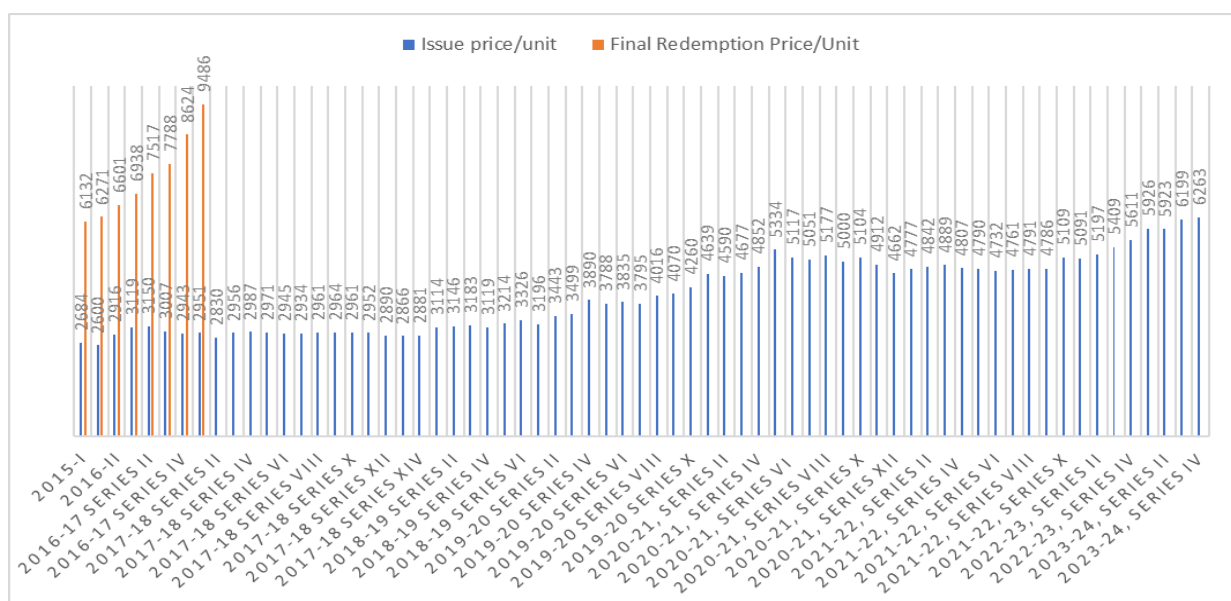
¹ PIB Release ID: 2115009 <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2115009>

² Annual Report 2024-2025, pg. 36, Department of Economic Affairs, Ministry of Finance, GoI <https://dea.gov.in/sites/default/files/Annual%20Report%202024-25%20%28English%29.pdf>

2.2 The Sovereign Gold Bond

The Sovereign Gold Bond (SGB) was perhaps the most popular among the three gold related initiatives launched by the Government in 2015. The SGB aimed to reduce import of physical gold by providing investors with a financial instrument denominated in grams of gold, carrying a sovereign guarantee on both capital and interest. During the FY 2015-16, 4.5 lakhs investors subscribed to 4908 kg of gold worth INR 1320 crores through three tranches of the Sovereign Gold Bond scheme.³ From its inception in 2015 up to February 2024, the Government issued roughly 146.9 metric tonnes (146961.349 kilograms) of gold equivalent through SGBs. The appeal of SGBs was further bolstered by the semi-annual interest of 2.5 per cent per annum, capital gains tax exemptions on maturity, and the convenience of dematerialised holdings. One of the major achievements of the SGB has been its success in changing the outlook of traditional investors of gold. Anecdotal evidences suggest that SGB managed to alter the perception of investing in gold, opening door for newer innovations such as digital gold, and even revitalising the perspective around gold ETFs and gold backed mutual funds. However, the discontinuation of the SGB scheme post February 2024 onwards, citing limited incremental benefits and concerns over fiscal costs, has raised questions about alternative financial avenues for gold investment. The gap left by SGBs has brought gold ETFs and digital gold products back into focus. Figure 2 and Figure 3 below the adoption of SGBs since its inception in 2015 till its last issuance in February 2024.

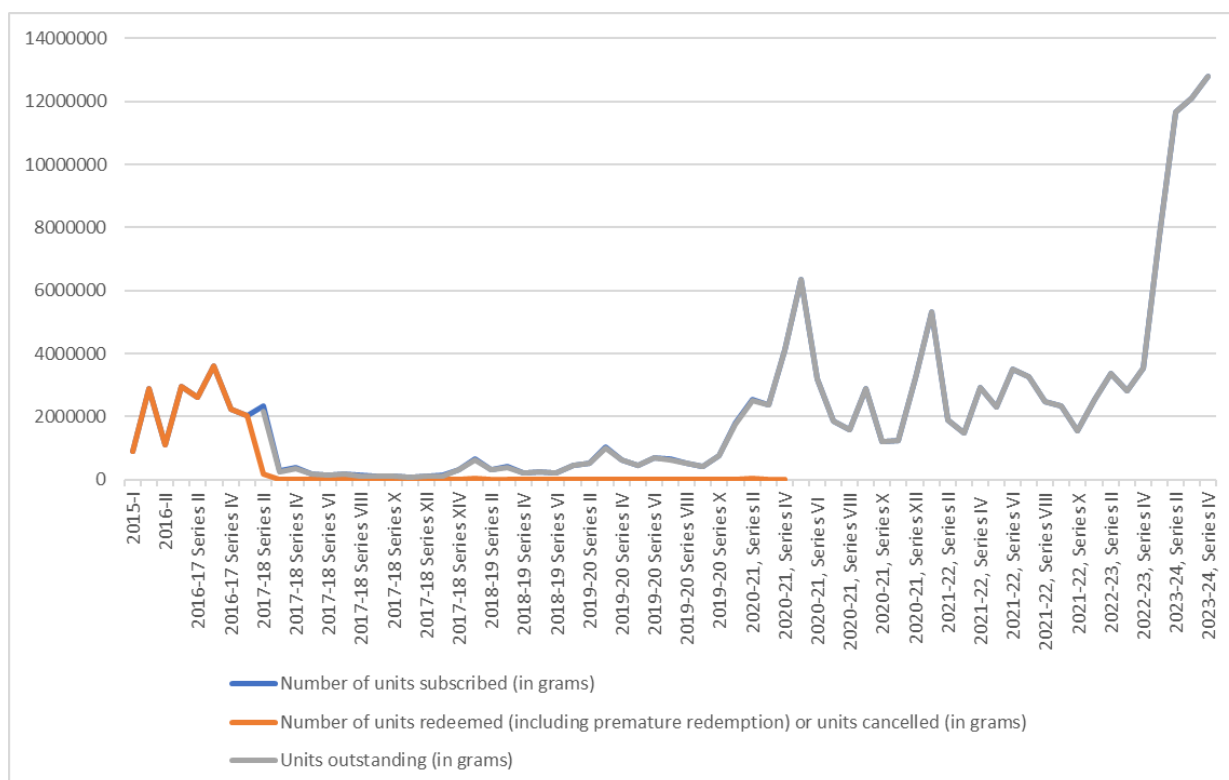
**Figure 2: Issue of Sovereign Gold Bonds (Tranche wise) issued till July 14, 2025
(Units Subscribed viz-a-viz Units Redeemed viz-a-viz Units Outstanding)**



Source: collated from RBI

³ Annual Report 2015-2016, pg. 30, Department of Economic Affairs, Ministry of Finance, GoI
<https://dea.gov.in/sites/default/files/AnnualReport2015-16.pdf>

**Figure 3: Issue of Sovereign Gold Bonds (Tranche wise) issued till July 14, 2025
(Issuance Price/Unit viz-a-viz Final Redemption Price/Unit)**



Source: collated from RBI

2.3 The India Gold Coin (IGC)

The IGC, conceptualised to offer Indian consumers a hallmarked, standardised gold coin with national insignia, saw limited market penetration. Data indicates that only 87,740 IGCs (38,202 coins of 5 gm, 38,865 coins of 10 gm, and 10,673 coins of 20 gm) accounting for a cumulative 793.1 kilograms of gold were sold between 5th November 2015 and 31st August 2021.⁴ Thereafter, there were no sales in the month of September 2021 and onwards as the MMTC had no coins to sell.

This sales figure of IGC is dwarfed by private sales of gold coins and bars by jewellers, refiners and e-commerce platforms which are estimated at over 187 tonnes annually.⁵ Several factors impeded the IGC's success. However, the two most dominant factors responsible for IGC's failure to take off are limited distribution networks and weak marketing efforts.

⁴ Annual Report 2022-23, pg. 36, Department of Economic Affairs, Ministry of Finance, GoI

⁵ World Gold Council <https://www.gold.org/goldhub/research/india-gold-market-series-gold-investment-market-and-financialisation/18067>

3. Understanding the Gaps: Successes and Failures

The divergence in uptake between these three schemes reveals critical insights. The SGB scheme's success hinged on clear financial returns, ease of investment, and tax advantages. As can be understood from Figure 3, investors' interest in SGB can be backed by the rapid rise in its subscription which was less than 1000 kg (913.5 kg) when it started, and gradually increased by twelve times to become 12785.7 kg in its final issuance in February 2024. This, despite a stiff competition from other dynamic financial products such as digital gold and gold electronic traded funds (ETFs). The most common reason cited for discontinuing SGB was the rising borrowing cost associated with the instrument which was borne by the Government of India. However, SGB was effective in raising investors' confidence in dematerialised gold and brought forth a behavioural change in decision making among gold investors. Moreover, refiners and banks encountered constraints in scaling up gold collection and recycling infrastructure, impacting GMS's supply chain.

In contrast, GMS struggled due to complexity of procedures, operational challenges, the patchy presence of Collection and Purity Testing Centres (CPTCs) and limited institutional push. These apart, inadequate incentives for banks, and the public's hesitance to part with physical gold stymied growth too became a barrier to the success of GMS.

The IGC's marginal uptake underlined the need for better pricing strategies, broader retail outreach, and stronger branding to build consumer confidence. Most importantly, limited public awareness was a key hurdle for IGC.

4. Scope and Outcome of the Discussion

In order to stocktake the impact of the three gold backed initiatives started by the Government of India in November 2015 and evaluate the past decade of India's gold policy landscape, the Policy Consensus Centre organised a discussion on 24th July 2025 with diverse voices from the gold ecosystem including policy makers, industry experts, jewellers, refiners, market intermediaries, and investment advisors. Through this exercise, PCC envisaged to build consensus on a refreshed, forward-looking gold strategy that balances macro stability, industry competitiveness, and investor confidence. The discussion focussed on ways to sustain the momentum of "gold financialisation" in India while minimising liability on the exchequer. The discussion further emphasised on developing viable business models for the financial sector and the gems and jewellery industry in India by tweaking the earlier mechanisms and salvaging the good practices of the now discontinued initiatives. This discussion heard policy recommendations, addressing structural reforms, product redesigns, and regulatory flexibility necessary for encouraging formal mobilisation of idle domestic

gold reserves and strengthening India's role in the global bullion value chain. Some of the recommendations from the discussion are mentioned below.

5. Recommendations

- All participants almost unilaterally agreed that going ahead, instead of being a participant in the business, the Government should act as an enabler and a market developer to foster innovation in the gold market.
- It was pointed out that a major drawback to the GMS working mechanism was creating tripartite agreement between the three operational stakeholders of this scheme i.e., the bank, the assayer and the refinery. Stakeholders agreed that for effective uptake of GMS, the Government should have let the stakeholders decide on whom they would want to partner up for running the scheme.
- The long-standing demand for permitting banks to buy gold bars from Indian refiners for trading on exchange was once again reiterated. Currently, banks are allowed to buy gold bars from Indian refineries only for the purpose of GMS. It was further suggested that Indian refiners are permitted to export 24 carat gold bars and coins.
- It was suggested that a version similar to GMS can be started and run by the Asset Management Companies (AMC). The mechanism would involve collection of gold from retail customers, converted to Good Delivery Standard bars by authorised refineries. Such bars can be further deposited in a Gold Credit Fund which can be lent to banks (by AMCs) to be further leased to jewellers. However, the lending rate for banks needs to be competitive compared to overseas lending rates. This process is devoid of price risk and only bears credit risk. The investor will get the price of the gold along with an additional percentage from the interest received through leasing of gold (post deduction of charges and commission of the AMC).
- Currently, banks are allowed to open (gold) metal accounts for a fixed term deposits (of three years) for retail customers, although such deposits are commercially unviable. Unlike the medium- and long-term gold deposits (MLTGDs), these deposits do not receive any operating subsidy (2.25% to 2.5% for MLTGDs). Hence, such accounts are rarely opened and operated by customers as short-term deposits interest rates offered by banks are nominal and are damper for bank customers. It was suggested that to make it a viable business opportunity, banks must be permitted to open and run (gold) metal accounts as a part of bullion banking with different term and maturity profiles at par with current account - savings account (CA-SA). This would help in managing liquidity for customers as well banks. Additionally, permitting transferability among different metal accounts would encourage depositors to hold (gold) metal for longer period of time and transfer transparently and conveniently.

About Policy Consensus Centre (PCC)

The Policy Consensus Centre (PCC), founded by Ms. Nirupama Soundararajan and Mr. Arindam Goswami, emerges with a distinct mission: to conduct impactful policy research and drive policy transformations. Our focus encompasses pivotal sectors crucial for India's advancement, along with those that have been underexplored. In the intricate landscape of India, divergent opinions often hinder consensus-building for policymakers amidst diverse stakeholders.

PCC stands dedicated to comprehensive, evidence-driven research, promoting inclusivity and rigor. Our objective resides in cultivating accord among stakeholders through independent, data-centric analysis, a catalyst for meaningful policy shifts. In a climate where some research entities avoid unconventional subjects, PCC remains resolute in advocating thorough exploration across all sectors. Our belief underscores the necessity to scrutinize seemingly unconventional domains, an approach vital for identifying accurate risks and formulating sound policies.

PCC champions the synergy of economic rationale and empirical data, pivotal in fostering consensus and enabling effective policymaker engagement. In essence, PCC embodies a pioneering spirit committed to navigating uncharted territories, propelling well-informed policy decisions for India's holistic growth.

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