ICRA

PRESS RELEASE

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Gold loans of banks and NBFCs to cross Rs. 30 trillion by 2027-28: ICRA

- ***NBFC GL AUM to expand at CAGR of 35% during 2026-27 to 2027-28, boosting their market share***

Rating agency ICRA forecasts organised gold loans (GLs) provided by banks and non-banking financial companies (NBFCs), to expand at a compound annual growth rate (CAGR) of over 30% during 2026-27 to 2027-28, crossing Rs. 30 trillion by March s2028 from around Rs. 18 trillion in March 2026. While the market share of NBFCs is projected to continue to rise to 23% by 2027-28, increasing competitive intensity could exert pressure on their business yields and limit upside. In ICRA's assessment, GL-focussed NBFCs will need to strengthen risk management as their product offering evolves. The ratings agency cautioned that the shift towards regular repayment loans, higher LTV offerings and other changes could raise near-term delinquencies. However, credit losses shall be limited, considering the liquid nature of the collateral.

The overall GL book increased at a CAGR of 38% during 2024-25 to 2025-26, with significant growth of about 50% in 2025-26. During this period, banks expanded their GL book at a CAGR of 35%, while NBFCs saw a higher CAGR of 54%. Consequently, the share of NBFCs in the overall GL assets under management (AUM) rose in 2025-26, after contracting steadily over the previous three years. The share of banks in GL AUM declined to about 78% in March 2026 from 82% in March 2024, while the share of NBFCs rose during the period.

R Srinivasan, Sector Head, Financial Sector Ratings, ICRA, *said: "The entry of new players and large NBFCs in the GL space – whether organically or through acquisitions – along with their plans to significantly expand their branch networks, supports the strong growth outlook for this segment, particularly amid the stress in unsecured lending in the recent past. Banks are also steadily widening their GL offerings across their extensive branch networks, which should further support segmental growth. These structural drivers are expected to sustain the rise in GLs, even as gold prices have softened somewhat after the surge seen in the previous fiscal."*

Growth was driven by retail GLs of NBFCs and banks. NBFCs largely focus on retail GLs for consumption or business purposes, and their AUM around Rs. 4-trillion as of March 2026. Within banks, retail GLs nearly doubled in 2025-26, while GLs towards agriculture and other end uses grew by about 25%. The sharp rise in retail GLs of banks can be partly attributed to the reclassification of loans to retail from agriculture, etc., apart from the strong demand for fresh loans. ICRA notes that the growth in the GL book of NBFCs in the past five years was largely driven by gold prices, as branch additions and the tonnage of gold jewellery held as collateral rose at a modest pace of 3-4% vis-à-vis the 24% expansion in the loan book of large players during 2021-22 to 2025-26. With the entry of new players, the concentration of the NBFC GL book among the top 4 players declined steadily to 70% of the NBFC GL AUM in March 2026 from about 90% in March 2022.

Looking ahead, ICRA expects NBFCs' overall GL book to expand at a CAGR of 35% during 2026-27 to 2027-28, while that of banks is expected to increase at a CAGR of 30%. The non-retail GL book of banks, which accounted for two-thirds of their GL book in March 2026, is envisaged to grow at a slower pace than their retail book.

As competitive pressure is likely to intensify, NBFCs are taking initiatives to strengthen their position by enhancing their footprint or acquiring established businesses, providing them with a foundation to build or expand their business in the GL space. The evolving competitive landscape and the expected modifications in the loan product, in view of new regulatory changes like moving towards regular paying loans from bullet paying loans, lower loan quantum for the same collateral for higher-ticket loans (more than Rs. 0.5 million), etc., are projected to limit the upside for loan yields in this segment. Loan yields remained stable over the last two years, but are still 200-300 basis points (bps) lower than the peaks witnessed in 2019-20/2020-21.

"The new regulations, while warranting borrower repayment capability assessment for loans above Rs. 0.25 million, also allow loans for income-generating activities without any cap on the loan-to-value (LTV) ratio. Change in the product to a regular paying loan can lead to higher overdues in the near term, as borrowers adjust to the new requirement vis-à-vis bullet payments in the past. Credit costs remained low in the past due to access to collateral and the liquid nature of the same, which reduced the lender's credit risk. In the event of loan overdues, lenders undertake auctions in a timely manner, which have helped achieve healthy realisations in the past due to their conservative LTV approach. Adequate risk control measures are thus crucial as entities facing headwinds due to competitive intensity can end up offering higher LTV loans in a scenario where gold prices exhibit adverse volatility," ***Srinivasan added.***

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For further information, please contact:

Media Contacts:	
Naznin Prodhani Vice President- Head, Group Corporate Communications & Media Relations ICRA Limited Tel: + (91 124) 4545300, Dir – 4545 860 Email: mailto:naznin.prodhani@icraindia.comcommunications@icraindia.com	**Saheb Singh Chadda** Manager - Corporate Communications & Media Relations, ICRA Limited ICRA Ltd. Mob: +91- 9833669052 Email: communications@icraindia.com

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