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# Non-banking Financial Companies

## Organised gold loan AUM projected to reach Rs. 15 trillion in FY2026; banks continue to increase share

OCTOBER 2025

# Highlights

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*Organised GL market to reach the Rs. 15-trillion mark in FY2026 as the gold price rally continues.*

*NBFC gold loan AUM is expected to expand by 30-35% in FY2026 upheld by the strength seen in gold prices.*

*Sharp increase in the scale, driven by gold prices, can somewhat offset the cost impact of the additional operational requirements as directed in the final regulatory directions for gold loans.*

- ICRA expects the organised[1] gold loan (GL[2]) market to reach the Rs. 15 trillion mark in FY2026, a year earlier than previously expected. Overall GLs expanded at a CAGR[3] of about 26% in FY2024 and FY2025, with banks showing a slightly higher growth rate vis-à-vis NBFCs[4].
- Public sector banks (PSBs) remain dominant players in the space, driven by agriculture and other loans that are backed by gold jewelry. During FY2024 and FY2025, PSB GL grew at a CAGR of 27%, while GL from private sector banks expanded at a relatively slower CAGR of 22%, despite a lower base.
- NBFC GL AUM[5] was Rs. 2.4 trillion in June 2025. AUM expansion (CAGR of 24% over FY2024-FY2025) continue to be driven by gold prices even as the gold collateral tonnage growth remained muted. Branch additions were also subdued during the above-mentioned period.
- As the headwinds persist for unsecured loans and microfinance loans, NBFC GL AUM, supported by the tail winds from the gold prices, is projected to expand at 30-35% in the current fiscal, similar to the trend in FY2025.
- Final Directions on GLs bring in harmonisation and a much-needed clarity to lenders operating in the space. While it is relaxed in relation to the draft directions, disbursements and operational efficiencies could be impacted in the near term in view of the increased assessment requirements, especially for loans above Rs. 0.25 million. Smaller ticket loans (<Rs.0.25 million) shall benefit from LTV (Loan to value) relaxation. Higher ticket bullet repaying loans would be most impacted.
- Average LTV has generally remained at less than 65% in the last two years. Overdues have been volatile but the credit costs remain under control with entities undertaking timely auctions and achieving good realisations from the same. However, some of the other asset segments, which the gold loan companies had ventured into, have enhanced their credit costs in the recent past.
- Pressure on the NBFC GL yields have reduced to an extent, but the same remain 200-250 basis points lower than the peak levels in FY2020/FY2021. Competitive pressures are likely to restrict any significant increase in the yield from the current levels. To boost profitability, NBFCs will need to focus on enhancing operating efficiency as they expand their scale, while loan losses are expected to remain low.

*[1] Universal banks + NBFCs; [2] Loans against gold jewellery; [3]CAGR – Compound Annual Growth Rate; [4] NBFC- Non-Banking Financial Companies [5]AUM – Assets Under Management*

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# Thank You!