

INDIA'S GOLD MOBILIZATION OPPORTUNITY: CUTTING IMPORTS & CONSERVING FOREX

Precious Metals Refineries Forum (PMRF), an initiative of India Bullion & Jewellers Association

India currently imports about 600–700 tonnes of gold bullion annually, worth roughly USD 60 billion, putting pressure on foreign exchange reserves and the current account. PMRF proposes a practical roadmap to substitute a large part of these imports by mobilising a small share of India's estimated 30,000 tonnes of idle gold held by households and religious institutions. They argue that cutting bullion imports by USD 60 billion is effectively equivalent to generating nearly USD 120 billion of export earnings in balance of payments terms.

Core idea

The plan builds on the revamped Gold Monetisation Scheme (GMS) and aims to bring 1–2% of idle gold—about 300–600 tonnes a year—into formal circulation. This would be done through a coordinated ecosystem of banks, NBFCs, jewellers, BIS licensed refineries, hallmarking centres, logistics providers and vaults.

Key elements include:

- A central GMS portal under RBI/SEBI to track gold collected, manage inter bank transfers, maintain gold metal accounts and automate interest payments.
- Using imported bullion mainly for jewellery exporters, while supplying domestically mobilised, locally refined GMS gold as working capital metal loans to domestic jewellers on one year, renewable tenures.
- Settling gold metal loans on a metal to metal basis using refined domestic bullion, reducing price and FX risk and hedging costs for jewellers.

Incentives and infrastructure

To attract depositors, PMRF recommends:

- Exemption from capital gains tax on matured GMS deposits.
- Income tax exemption on the roughly 3% annual interest.
- Limited amnesty on source disclosure up to 500 gms per family, in line with CBDT Instruction No. 1916.
- A sustained awareness campaign on the safety, tax treatment and benefits of gold deposits.

On market infrastructure, PMRF proposes allowing GMS gold to be converted into Electronic Gold Receipts (EGRs), refunding the notional 3% GST at dematerialisation and recovering it when EGRs are reconverted to metal, which would help activate SEBI approved gold spot exchanges and provide a regulated alternative to unregulated digital gold products. Refineries and CPTCs would process deposited gold within 48 hours, and a 1.5% processing fee would incentivise collection agencies, creating a scalable recycling ecosystem that can reduce bullion imports, save forex and narrow India's current account deficit.

