It's the Great Gold (Loan) Rush

Non-banks plan to open 3,000 branches in next one yr

Shining Segment

Lenders	New Branches Planned
Bajaj Finance*	900
IIFL Finance	500
L&T Finance	200
Muthoot FinCorp	200
Muthoot Finance	150-200
Piramal Finance**	100
Others	895

Source: Co projections

*Has set a March 2027 target

**Likely to foray into market in H1 FY27

Atmadip Ray

Kolkata: India's gold loan market is set for a big boost with non-bank lenders planning to add about 3,000 branches in the next 12 months or so exclusively for lending against jewellery.

The market, dominated by state-owned banks, swelled 36% year-on-year to ₹14.5 lakh crore at the end of September.

The branch expansion, according to sectoral heads, is the biggest such annual exercise. Lenders are opening dedicated gold branches to tap the emerging opportunity as well as extending the secured loan product to their existing outlets. "The gold loan demand is rising like never before with many people failing to get unsecured micro loans looking to gold loan lenders to meet their fund requirement," George Alexander Muthoot, MD of India's largest gold loan company Muthoot Finance, told ET.

Microfinance companies have turned very selective following severe asset quality stress in the sector.

This, along with higher gold loan prices, has made borrowing against jewellery a sought-after loan product for farmers and small traders looking for working capital.

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High prices translate into greater loan amounts.

Rating company ICRA projected the organised gold loan market to reach the ₹15 lakh crore mark in FY26, a year earlier than expected.

"We expect the growth momentum to continue," said Muthoot Fincorp chief executive officer Shaji Varghese. "Central banks worldwide are driving the gold demand and rise in prices. Therefore, I don't expect a sudden supply in the market leading to price correction."

His company plans to open 200 branches by the end of March.

The leaders in the segment, including Muthoot Finance, Muthoot Fincorp, IIFL Finance and Bajaj Finance, are likely to open about 1,800 branches in total. Bajaj Finance alone plans to open 900 more gold loan branches by March 2027. IIFL Finance plans 500 by the end of this fiscal year.

L&T Finance, which entered the market in February by acquiring Paul Merchants Finance's gold loan segment with 130 outlets, plans to open 200 more by the end of the fiscal year.

Gold loans are no longer perceived as distress-driven borrowings. The category has evolved into a mature and responsible credit product, said Manish Mayank, head, gold loan business, IIFL Finance.

"Today, nearly 70% of gold loans are availed for agriculture and small businesses, while the remaining share is utilised for home improvement, weddings, and other planned or emergency financial needs," he said. "A portion of salaried customers also leverages gold loans for consumption or short-term liquidity requirements."

Poonawalla Fincorp managing director Arvind Kapil said last month that the company is on track to meet the target of 400 branches by March 2026, out of which 95% will come up in tier 2 and tier 3 markets.

Piramal Finance, which is planning a foray into the segment, said it will likely open 100 branches in the first year.

From Hyderabad-based Keertana Finserv, promoted by Padmaja Reddy, to Kolkata-based Uttrayan Financial Services, several microfinance companies are also diversifying into loans secured against jewellery to bring stability to their businesses.

"We are scaling down our microfinance business," Reddy said. "We will be adding 175 branches for gold loans expansion by the end of FY26."

SECURITY ARRANGEMENTS

Setting up a gold loan branch needs elaborate security arrangements including a strong room, safety vault, closed circuit cameras and sensors. That entails capital investment of ₹8 lakh to ₹20 lakh, depending on the security systems, chief executives said. A gold loan branch typically breaks even in 1.5-2 years.

Gold loan companies need the Reserve Bank of India's prior approval for opening new branches when the existing count is more than 1,000 but this restriction does not apply to non-gold loan companies.

NBFC gold loan assets under management (AUM) are expected to expand 30-35% in FY26 given elevated gold prices and slower growth in unsecured loan products, which are also generally targeted at the same borrower segments, said AM Karthik, ICRA senior vice president and co-group head, financial sector ratings.