

BANKCREDS RESEARCH · DATA STUDY

Gold Loan LTV Risk Research Report: How Far Can Gold Fall?

Between October 2016 and July 2026, RBI's monthly gold price fell 10% or more below its starting level within a year in 6% of start months, BankCreds Research found. A 12-month bullet gold loan taken at 80% loan-to-value would have gone over RBI's 85% cap in 27% of start months; taken at 70%, in 1%.

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Data period
October 2016 – July 2026

Datasets
RBI v1.0 · 118 months + lender sites v1.0 · 16 lenders

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Executive summary

A gold loan must stay within RBI's loan-to-value (LTV) cap for its whole life — 85% for consumption loans up to ₹2.5 lakh. If gold prices fall, the loan can go over the cap, and the lender can ask you to repay part of it or pledge more gold. BankCreds Research followed every month of RBI's gold price from October 2016 to July 2026 through the next 3, 6 and 12 months, for loans started at 60% to 80% LTV, both with

interest paid monthly and as bullet loans where interest builds up. How much you borrow against the gold mattered most, then how you pay the interest, then the tenure.

Key findings

Each finding is self-contained and may be quoted with attribution to BankCreds Research. Link a single finding with its anchor ([#finding-1](#), [#finding-2](#) ...).

- 1** Between October 2016 and July 2026, RBI's monthly average gold price fell at least 5% below a starting month within the following 12 months in 10% of 106 start months, at least 10% in 6% and at least 15% in 1%.
- 2** The deepest 12-month fall was 15.6%, from August 2020 to March 2021.
- 3** A loan started at 80% LTV goes over RBI's 85% cap if gold falls 5.9%; at 75% LTV it takes a fall of 11.8%, and at 70% a fall of 17.6%.
- 4** A 12-month loan started at 80% LTV would have gone over 85% in 8% of start months with interest paid monthly, and in 27% as a bullet loan with interest building up at 9.35% a year.
- 5** At 75% LTV the 12-month figures were 3% with interest paid monthly and 8% as a bullet loan.
- 6** At 70% LTV a 12-month bullet loan went over the cap in 1% of start months, and at 65% in 0%.
- 7** Shorter loans carried less risk: at 80% LTV, a bullet loan went over the cap in 10% of 3-month periods, 20% of 6-month periods and 27% of 12-month periods.

- 8 These figures use monthly averages; daily prices swing more within a month, so real-world margin calls were somewhat more frequent than shown here.

Key statistics

80% LTV BULLET LOANS OVER THE CAP

27%

of 12-month periods since October 2016

GOLD FALL THAT BREACHES A 75% LTV LOAN

11.8%

RBI cap 85%

DEEPEST 12-MONTH FALL

15.6%

August 2020 – March 2021

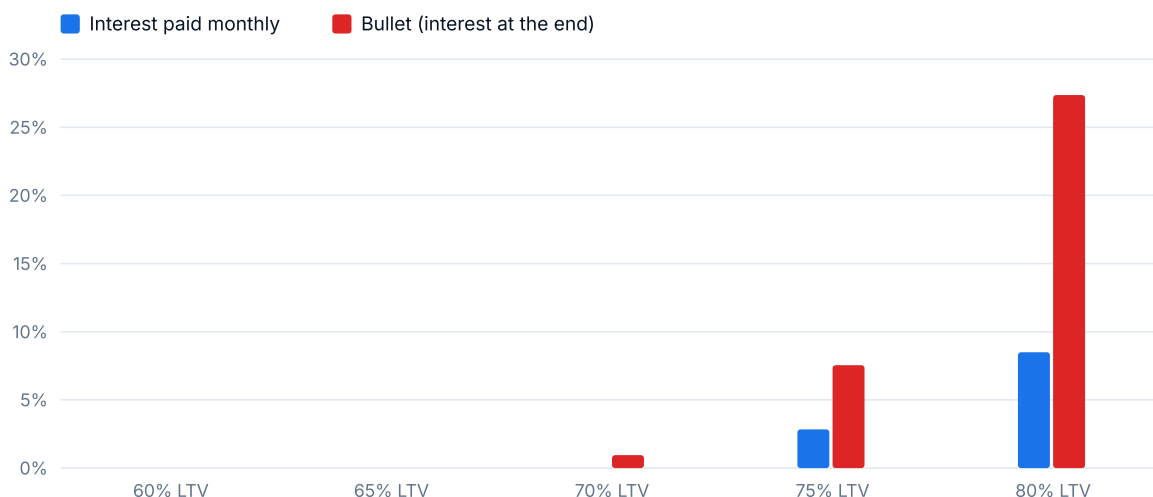
START MONTHS STUDIED

106

12-month periods, RBI monthly prices

How often a 12-month gold loan would have gone over 85% LTV

Share of start months, October 2016–July 2026, in which RBI's monthly gold price fell far enough within 12 months to push the loan over the 85% cap. Bullet loans add interest at 9.35% a year.



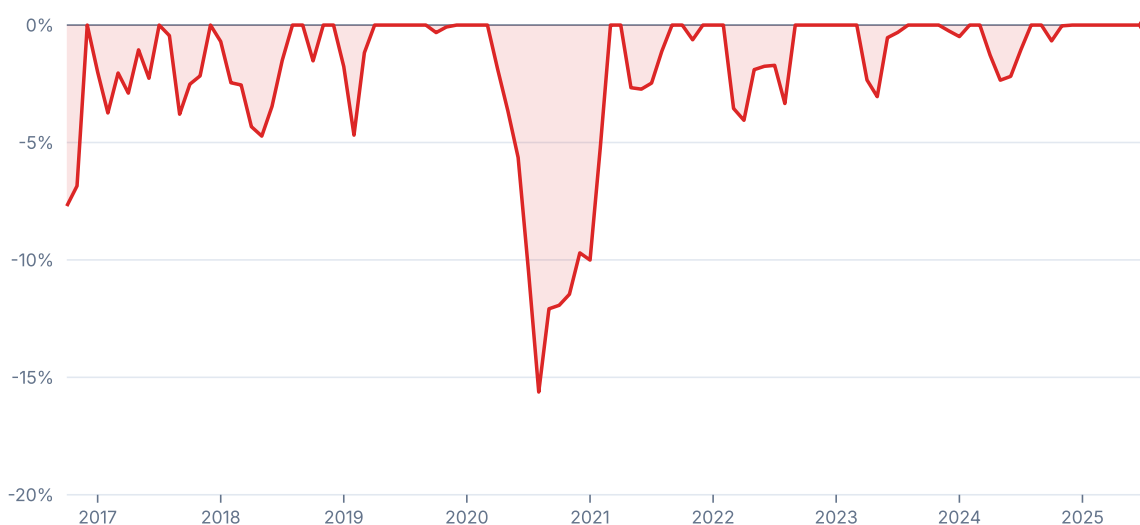
Source: BankCreds analysis of RBI and lender data · bankcreds.com/research

What loan-to-value means for your gold loan

Loan-to-value (LTV) is the loan as a share of what your gold is worth. RBI's rules cap it at 85% for consumption gold loans up to ₹2.5 lakh, 80% up to ₹5 lakh and 75% above, and the cap applies for the whole loan, not just on the day you borrow. If gold prices fall, the same loan becomes a bigger share of the gold's value. Once it crosses the cap, the lender can ask you to repay part of the loan or pledge more gold; if neither happens, it can sell the gold after giving you notice.

Deepest gold-price fall within the next 12 months

For each start month: the lowest monthly average gold price in the following 12 months, compared with the start month. Zero means the price never fell below the start.



Source: BankCreds analysis of RBI and lender data · bankcreds.com/research

Why bullet loans carry more risk

In a bullet gold loan you pay all the interest at the end, so the amount you owe grows every month. Even if gold does not fall at all, a bullet loan's LTV rises: at 9.35% a year, a loan started at 80% LTV crosses the 85% cap after about 9 months on interest alone, and one started at 75% after about 18 months. Loans where you pay interest every month stay at their starting amount, so only a price fall can push them over. That is

why, at 80% LTV, bullet loans went over the cap in 27% of 12-month periods against 8% for loans with interest paid monthly.

How to keep a safety margin

Borrow less than the maximum: a 12-month bullet loan started at 70% LTV went over the cap in 1% of periods, against 27% at 80%. Pay interest monthly if you can. Choose the shortest tenure that fits your need. And watch the gold price — if it falls sharply, topping up or part-repaying early costs less than waiting for a notice.

Data tables

How often the loan would have gone over 85% LTV (% of start months)

Starting LTV	Gold fall that breaches	3 mo · interest paid	3 mo · bullet	6 mo · interest paid	6 mo · bullet	12 mo · interest paid	12 mo · bullet
60%	29.4%	0%	0%	0%	0%	0%	0%
65%	23.5%	0%	0%	0%	0%	0%	0%
70%	17.6%	0%	0%	0%	0%	0%	1%
75%	11.8%	0%	0%	2%	4%	3%	8%
80%	5.9%	4%	10%	7%	20%	8%	27%

Each start month from October 2016 is followed for 3, 6 or 12 months of RBI monthly average gold prices (115 windows for 3 months, 112 windows for 6 months, 106 windows for 12 months). "Interest paid": the loan stays at its starting amount. "Bullet": interest builds up at 9.35% a year (the median lowest published gold-loan rate) and is paid at the end. A breach = loan ÷ gold value above 85% in any month.

Deepest gold-price falls within 12 months of a start month

Start month	Lowest month	Fall from the start
August 2020	March 2021	-15.6%
September 2020	March 2021	-12.1%
October 2020	March 2021	-11.9%
November 2020	March 2021	-11.5%
July 2020	March 2021	-10.5%
January 2021	March 2021	-10.0%
December 2020	March 2021	-9.7%
October 2016	December 2016	-7.7%

Monthly averages of daily prices; single-day falls were deeper.

RBI's maximum loan-to-value for gold loans (consumption loans)

The maximum LTV ratio in respect of consumption loans against the eligible collateral (gold or silver jewellery, ornaments, coins) shall not exceed 85 per cent where the total consumption loan amount per borrower is up to Rs 2.5 lakh, 80 per cent above Rs 2.5 ...

Total gold loan per borrower	Maximum LTV
≤ ₹2.5 lakh	85%
> ₹2.5 lakh & ≤ ₹5 lakh	80%
> ₹5 lakh	75%

Methodology

Data. RBI's monthly average price of standard gold in Mumbai, October 2016 to July 2026 (dataset version 1.0), and the median lowest published gold-loan rate across the lenders BankCreds Research checked (9.35%). **Method.** Every start month is followed for the next 3, 6 and 12 months. A loan is started at 60%, 65%, 70%, 75% or 80% LTV. With interest paid monthly the amount owed stays fixed; for a bullet loan, simple interest at 9.35% a year is added each month. The loan breaches when the amount owed divided by the gold's current value goes above 85% in any month. Today's 85% cap is applied to the whole period as a stress test. Only complete windows are used; no month is filled in.

Full standards: BankCreds research methodology.

Data sources

- Reserve Bank of India — monthly average price of standard gold (Mumbai), Handbook of Statistics on the Indian Economy and RBI Bulletin.
- Reserve Bank of India — Directions on lending against gold and silver collateral (loan-to-value provisions).
- Lenders' own websites — published gold-loan interest rates, read on 8 October 2026.

Limitations

- Monthly averages smooth out daily moves; real margin calls depend on the price lenders use, often a recent average, and were somewhat more frequent than these figures.
- The decade studied was mostly a rising market for gold; a period with a long fall would show more breaches.
- Lenders may set their own trigger levels and act before or after the RBI cap is crossed.
- RBI's 85% cap applies to consumption loans up to ₹2.5 lakh; larger loans have lower caps (80% and 75%).

Frequently asked questions

What happens if gold prices fall during my gold loan?

If the fall pushes your loan above the LTV cap — 85% for consumption loans up to ₹2.5 lakh — the lender can ask you to repay part of it or pledge more gold, and can sell the gold after notice if you do neither.

How much can gold fall before my gold loan is at risk?

It depends on your starting LTV: with interest paid monthly, a loan at 80% goes over the 85% cap after a fall of 5.9%, at 75% after 11.8% and at 70% after 17.6%. A bullet loan needs a smaller fall, because unpaid interest adds up.

How often has gold fallen 10% within a year?

In 6% of 12-month periods between October 2016 and July 2026, based on RBI's monthly average prices. The deepest fall was 15.6%, from August 2020 to March 2021.

Is a bullet gold loan riskier?

Yes. Unpaid interest raises the amount you owe every month, so the loan can cross the cap even without a price fall. At 80% LTV over 12 months, bullet loans breached in 27% of periods against 8% with interest paid monthly.

Cite this research

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REFERENCE (APA STYLE)

BankCreds Research & Data Team. (2026). Gold Loan LTV Risk in India: Research Report. BankCreds. <https://bankcreds.com/research/gold-loan/gold-loan-ltv-risk-india/>

SOURCE LINE

Source: BankCreds analysis of RBI gold prices and RBI loan-to-value rules – “Gold Loan LTV Risk in India: Research Report” (updated 25 October 2026), <https://bankcreds.com/research/gold-loan/gold-loan-ltv-risk-india/>

HTML LINK

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<a href="https://bankcreds.com/research/gold-loan/gold-loan-ltv-risk-india/">Gold Loan LTV Risk in India: Research Report – BankCreds Research</a>
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Version history. Report v1.0 (2026-10-09): First publication: RBI monthly gold prices October 2016 – July 2026. · RBI dataset v1.0 (2026-10-08): First release: 118 months, 2016-10 to 2026-07. · lender sites dataset v1.0 (2026-10-08): First release: 17 lenders (16 with rates), as of 2026-10-08.

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