India's Gold Paradox: A Gold Superpower Without Pricing Power



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> *India is a global gold superpower holding an estimated 25,000 tonnes of private gold, yet it remains a structural price taker heavily influenced by Western ecosystems. While consumer demand shifts towards financialised instruments, heavy reliance on imports and high tariffs cause significant Current Account Deficit exposure.*

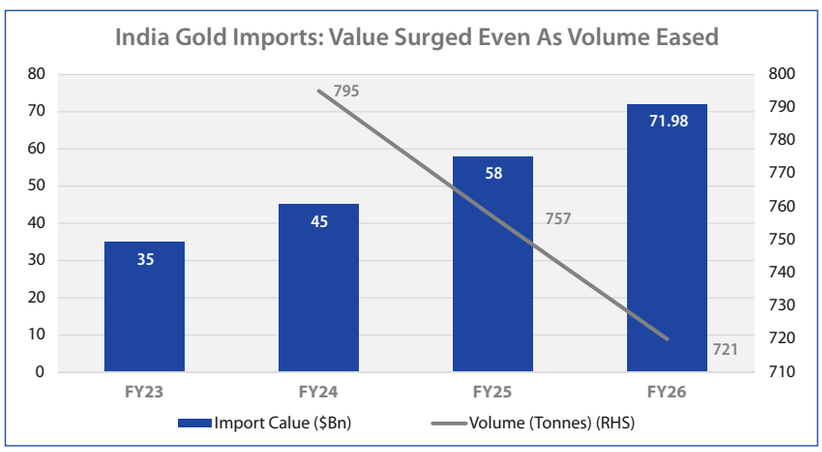
India's position in gold is almost uniquely contradictory among major economies. It consumes gold at scale, imports gold at scale, stores gold at scale, and the Reserve Bank of India has steadily increased gold in its official reserves. Yet India remains largely a price taker in a market where the reference price is discovered elsewhere, principally through London's LBMA benchmark, global OTC trading, COMEX futures, and, increasingly, Shanghai's reference markets.

The result is a strategic oddity: India is one of the world's largest gold demand centres, but it has not converted that demand into market architecture. India's FY26 gold imports hit a record US$71.98 billion, even though import volume declined to 721.03 tonnes, according to Commerce Ministry data reported by ETBFSI/PTI.

The chart captures the core macroeconomic problem: India's gold import bill keeps rising even when physical import volumes fall. In other words, India bought less gold by weight but paid significantly more for it which is a classic symptom of a country exposed to global price discovery without commensurate pricing influence.

THE CONTRADICTION IN ONE SENTENCE

India's households, temples, jewellers, banks, exchanges, refiners and central bank together represent one of the most gold-intensive ecosystems in the world. Yet India's role in global price formation remains far smaller than its share of global consumption. Indian households and temples are estimated by the World Gold Council and industry sources to hold around 25,000 tonnes of gold, while India's official gold reserves are around 880–881 tonnes. The RBI's gold holdings crossed 880 tonnes in FY26, with gold valued at about US$95 billion as of 26th September 2025.



Data Source: Commerce Ministry

This scale is staggering. Indian household and temple gold holdings of about 25,000 tonnes are roughly 28 times India's official reserves of about 881 tonnes and far larger than India's annual FY26 gold imports of 721 tonnes. But most of this gold is fragmented, privately held, emotionally attached, and only partially financialised. That makes India rich in gold stock but poor in gold market power.

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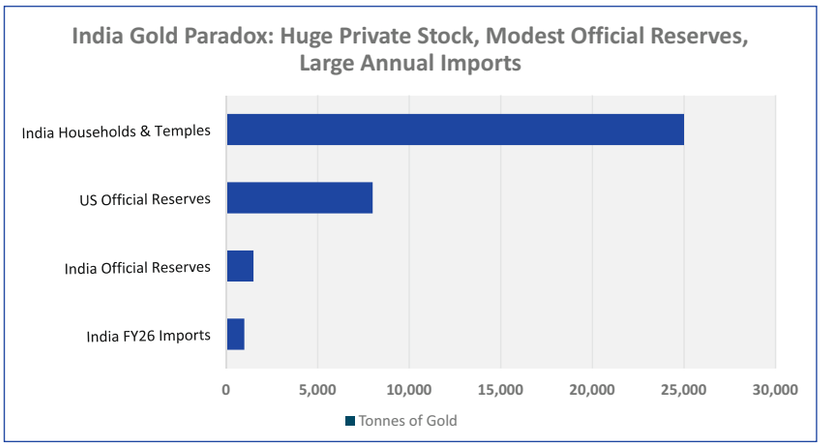
DEMAND IS CHANGING, BUT THE MARKET STRUCTURE IS NOT

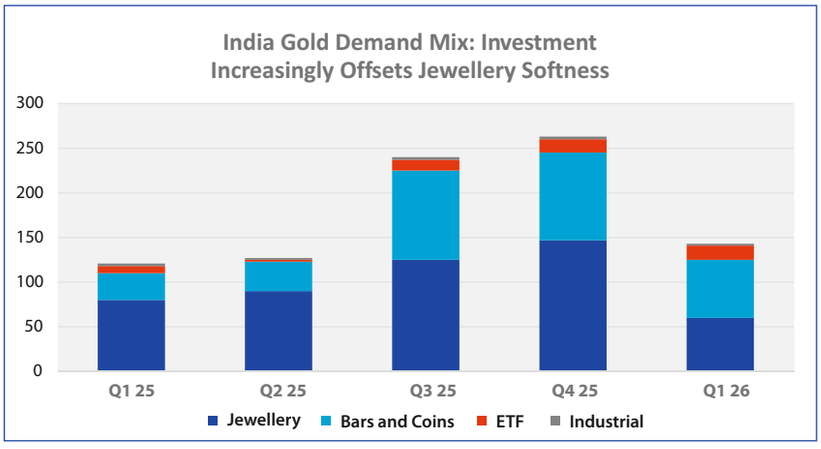
India's gold demand is no longer only a jewellery story. In Q1 FY26, India's total gold demand rose 10% year-on-year to 151 tonnes, while demand value nearly doubled to ₹2,275 billion, according to the World Gold Council. Jewellery demand fell 19% year-on-year to 66 tonnes, but investment demand rose sharply: bars and coins reached 62



Source: World Gold Council and Industry

tonnes, and ETFs reached 20 tonnes, with ETF tonnage up 197% year-on-year.

This matters because it shows a structural shift. Gold in India is increasingly becoming not just an ornament or wedding asset, but a financial asset: bars, coins, ETFs, gold loans, digital gold, and gold-backed products are gaining relevance. The



Source: World Gold Council

World Gold Council noted that in Q1 FY26 investment demand was the main driver of growth, with bar-and-coin demand nearly matching jewellery demand, while ETFs reached a record high.

Yet the infrastructure of influence has not kept pace with the behaviour of investors. India has the Multi Commodity Exchange (MCX) for derivatives trading, deep jewellery ecosystem for spot market, large banks, refineries, vaulting capacity, and government-backed gold products, but global reference pricing still depends primarily on London and New York benchmarks. The World Gold Council's gold price data explicitly distinguishes the LBMA Gold Price, MCX reference prices, and Shanghai Gold Exchange prices, underlining that India has a regional market price but not the dominant global benchmark.

THE IMPORT CHANNEL IS INDIA'S ACHILLES' HEEL

India imports most of the gold it consumes because domestic mine production is small. DGCI&S notes that domestic gold production has historically been minimal. That gap makes India structurally dependent on imports, and therefore on US dollars, exchange rates, customs duties, global prices, and international bullion supply chains.

In FY26, India's gold imports rose 24% to US$ 71.98 billion, a record high, while import volumes declined 4.76% to 721.03 tonnes. The Commerce Ministry attributed the rise to higher prices, with average gold import prices rising from US$ 76,617/kg in FY25 to US$ 99,825/kg in FY26. This is precisely why gold is not just a household issue; it is a current-account issue.

The World Gold Council also noted in May 2026 that gold accounted for about 8% of India's merchandise imports in 2025, placing it among India's top five imports. In response to pressure on the Indian rupee and foreign-exchange reserves, India raised gold import duty from 6% to 15% in 2026, reversing the July 2024 duty cut. But this also reveals the policy trap: when duties are cut, official imports surge; when duties rise, unofficial flows and discounts can rise. The World Gold Council explicitly warned that past trends show higher duty increases unofficial inflows, even if official imports remain relatively resilient.

WHY DOES INDIA NOT INFLUENCE THE GLOBAL GOLD PRICE?

The issue is not demand. India has demand. The issue is institutional concentration. Global pricing power comes from where bullion is traded, vaulted, financed, cleared, hedged, and benchmarked. London's LBMA ecosystem provides globally accepted good-delivery standards and benchmark prices, while the LBMA Gold Price is the global benchmark for unallocated gold delivered in London. COMEX futures provide deep financial liquidity and continuous risk transfer, while Shanghai has built a strong regional reference point for Chinese demand. The World Gold Council notes that gold has the LBMA Gold Price and several regional prices, with the LBMA benchmark important across the global market and regional prices important locally.

India's demand, by contrast, is distributed across millions of households, thousands of jewellers, seasonal buying patterns, cash-flow cycles, weddings, festivals, and import channels. It is vast, but it is not organised enough to become a global

price-discovery force. Indian gold demand often reacts to price rather than setting price: high prices reduce jewellery volumes, encourage exchange of old jewellery, and shift demand toward investment products. High prices have been reshaping consumer buying behaviour and that many consumers were staying on the sidelines or exchanging old jewellery.

The deeper irony is that India's private gold hoard is large enough to matter globally, but too illiquid to matter daily. Estimates place Indian household and temple holdings near 25,000 tonnes, worth around US$ 2.4 trillion in some estimates, equivalent to about 58% of India's GDP. But if that gold sits in lockers, temples, and family vaults, it does not create market liquidity. A large gold stockpile does not automatically translate into market liquidity or pricing power.

THE RBI UNDERSTANDS GOLD STRATEGICALLY

The Reserve Bank of India has been increasing gold in official reserves. RBI gold reserves crossed 880 tonnes in the first half of FY26, rising from 879 tonnes at the end of FY25 to 880 tonnes by September-end, according to RBI data. During FY25, the RBI added 54.13 tonnes of gold, and gold's value in reserves rose with the global price rally.

This is not accidental. Central banks globally have been adding gold as a hedge against currency risk, sanctions risk, reserve concentration, inflation uncertainty and geopolitical volatility. For India, gold provides a reserve asset that is not someone else's liability. But the RBI's gold position is still small compared with India's private gold stock. Official reserves of about 880–881 tonnes are meaningful, but household and temple holdings of around 25,000 tonnes are the real national gold balance sheet.

HOW INDIA CAN BECOME A PRICE-INFLUENCING GOLD POWER?

India cannot influence global gold prices merely by being a large buyer. Pricing power comes from liquidity, benchmarks, vaulting, transparent delivery, hedging depth, trusted standards, and international participation. India's path should therefore be to convert its cultural and physical gold depth into a formal market architecture.

1. Build GIFT City/IIBX into an Asian gold price-discovery hub

India has already created the foundation through the India International Bullion Exchange (IIBX) at GIFT City, which is India's first international bullion exchange and was designed as a gateway for bullion imports, bullion trading, investment products and vaulting in IFSC. But to influence global prices, IIBX may consider moving beyond being an import facilitation platform and become a liquid international marketplace where banks, refiners, jewellers, miners, funds and foreign institutions actively trade spot, forwards and futures.

The benchmark lesson is Shanghai. While SGE was established in 2002, it emerged as a globally prominent gold-market player from around 2014–2016, following the launch of its International Board and the yuan-denominated Shanghai Gold Benchmark Price. The Shanghai Gold Exchange now operates daily benchmark pricing, giving China a stronger Asian reference point alongside London and New York. India needs a comparable "India Gold Benchmark", preferably dollar-linked for global adoption and rupee-linked for domestic relevance, with transparent auction rules, physical delivery, vault backing and wide participation.

2. Deepen physically deliverable futures and hedging markets

Global price influence requires futures depth. COMEX influences gold because it provides continuous price discovery and risk transfer. India has MCX domestically and IIBX internationally, but the next step is to connect physical bullion, jewellery demand, imports, refiners and institutional hedging into one seamless ecosystem.

A positive development is that IIBX has introduced gold futures trading at GIFT City, opening a route for gold price-risk hedging in the IFSC framework. This needs to be scaled aggressively. Contracts must have strong market-makers, low transaction costs, clear delivery rules, vault integration, and participation from banks, bullion dealers, ETFs, jewellery chains and foreign suppliers. If Indian futures become liquid enough during Asian trading hours, global traders will start watching Indian prices as a real-time signal of physical demand.

3. Convert household gold from dormant stock into market liquidity

India's biggest hidden advantage is not annual demand; it is the estimated 25,000 tonnes of gold held by households and temples. But this stock is fragmented and emotionally held, so it does not translate into price-setting power. India must create trusted channels that allow families to earn, borrow, pledge, lease or digitally represent gold without forcing outright sale.

The old Gold Monetisation Scheme struggled, and in March 2025 the RBI discontinued the medium- and long-term government deposit components, leaving short-term bank deposits to banks' discretion. The policy response should not be to abandon monetisation, but to redesign it. A revamped model should be jeweller-integrated, digital, assaying-led, tax-simple, and backed by strong consumer trust. Industry bodies have already proposed a jeweller-integrated digital gold monetisation framework that would convert physical gold into dematerialised gold balances within the banking system.

4. Make India the global centre for recycled gold

India should build a national recycled-gold infrastructure: certified collection centres, hallmark-linked buyback, transparent scrap pricing, refinery incentives, and GST/tax clarity. If India can recycle even a meaningful fraction

of its private stock annually, domestic supply would rise, import dependence would fall, and India's local premiums/discounts would become more globally relevant. In gold markets, the country that controls marginal physical supply can influence price signals more than a country that only imports.

5. Create "India Good Delivery" standards accepted globally

London's influence rests partly on the LBMA Good Delivery ecosystem and the trust around bars, refiners, vaulting and settlement. LBMA describes itself as setting standards for the global precious metals industry, including responsible sourcing, good delivery and market conduct. India needs a globally trusted 'India Good Delivery' standard linked to accredited refiners, responsible sourcing, chain-of-custody tracking, assaying integrity and vault auditability.

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This would allow Indian-refined bars to become more acceptable in international settlement and trading.

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Over time, if Indian bars, vaults and contracts become trusted by global banks and refiners, India's bullion market can graduate from domestic consumption hub to global settlement hub.

6. Link gold ETFs, SGB successors, banks and bullion exchange liquidity

India's demand mix is shifting from jewellery to investment. In Q1 FY26, India's total gold demand rose 10% year-on-year to 151 tonnes, led by investment demand, while ETF demand rose 197% year-on-year to 20 tonnes. This financialisation should be linked directly to exchange liquidity.

Gold ETFs, bank gold deposits, gold loans, digital gold and future sovereign gold products should source, hedge and settle through transparent Indian exchanges. That would create a domestic institutional bid-offer market large enough to influence regional pricing. The more India's investment gold moves through formal market rails, the stronger India's price signal becomes.

IN CONCLUSION

India's gold paradox is not that Indians buy too much gold. The real paradox is that India has not built enough institutions around the gold it already owns, imports and values.

Indian households behave rationally: gold is liquid, trusted, inflation-resistant, socially accepted, and useful as emergency collateral. India's central bank also behaves rationally: gold diversifies reserves and reduces dependence on fiat assets. The irrationality lies in the gap between India's gold scale and India's gold influence.

India does not need to abandon gold. It needs to upgrade gold — from passive household stock to productive collateral, from import pressure to recycled supply, from regional exchange activity to credible benchmark participation, and from fragmented demand to organised market depth.

If India can do that, gold will stop being merely a drag on the current account and start becoming a pillar of financial sovereignty.

Until then, India will remain: a gold superpower without gold pricing power.

Source: Reserve Bank of India, World Gold Council, Commerce Ministry, Press Information Bureau, Reuters, India International Bullion Exchange and Shanghai Gold Exchange.