

NSE EGR: Transforming Gold from a Passive Asset into a Productive National Resource



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India's relationship with gold is unlike that of any other major economy. For centuries, gold has served not merely as a precious metal but as a symbol of prosperity, financial security and intergenerational wealth. From weddings and festivals to savings and inheritance, gold continues to occupy a unique place in the economic and cultural fabric of the country. Despite the emergence of multiple investment avenues, Indian households continue to place immense trust in gold as a store of value. This enduring affinity has made India one of the largest consumers of gold globally, with annual consumption estimated at approximately 711 tonnes in 2025.

Yet the true scale of India's gold economy extends far beyond annual consumption. Indian households are estimated to hold nearly 25,000 tonnes of gold. To put this into perspective, this stock exceeds the combined gold reserves of the world's ten largest central banks. At current prices, it is valued at approximately USD 4.5 trillion. When gold held by temples and institutions is also considered, India's total gold holdings approach USD 5.2 trillion, equivalent to nearly 125 percent of the country's nominal GDP. India therefore possesses one of the largest repositories of privately held gold anywhere in the world.

While gold remains deeply embedded in India's social and economic landscape, it also presents an important macroeconomic challenge. India imports the overwhelming majority of the gold it consumes. In FY26, the country's gold import bill reached nearly USD 72 billion, an all-time high and a substantial increase over the previous year. Gold

now accounts for more than 9 percent of India's merchandise imports and remains second only to crude oil in the import basket. Every ounce of imported gold results in foreign exchange outflows and contributes to pressure on the current account. India's trade deficit widened to more than USD 333 billion in FY26, with every additional tonne of imported bullion adding further pressure on the country's external balance.

Prime Minister Shri Narendra Modi has repeatedly highlighted the need to mobilise idle gold and bring it into the economic mainstream. The message is both timely and important. India does not suffer from a shortage of gold. Rather, the country faces the challenge of ensuring that the enormous stock of gold already available within its borders can participate more actively in economic activity.

This paradox lies at the heart of India's gold economy. On one hand, the nation spends billions of dollars importing gold every year. On the other, a significantly larger stock of gold already exists within the domestic economy. The challenge therefore is not the availability of gold. The challenge is creating a trusted framework that enables this gold to circulate more efficiently and contribute more meaningfully to economic growth.

This is where NSE Electronic Gold Receipts, or NSE EGR, have the potential to play a transformative role. By combining the trust associated with physical gold and the efficiency of modern market infrastructure, NSE EGR can unlock new possibilities for investors, institutions and the broader economy.

Bringing the Demat Revolution to Gold

The evolution of India's capital markets offers an important lesson. Three decades ago, investors relied on physical share certificates, manual transfers and fragmented market infrastructure. The introduction of dematerialisation transformed this landscape by converting physical securities into electronic ownership. This reform improved transparency, reduced operational risks, enhanced liquidity and expanded participation across the country. Today, India's capital markets are recognised globally for their scale, efficiency and technological sophistication.

NSE EGR seeks to bring a similar transformation to the gold ecosystem. Just as dematerialisation separated ownership of securities from physical certificates, NSE EGR enables ownership of gold to be represented electronically while remaining fully backed by physical gold stored in accredited vaults. However, the significance of NSE EGR extends far beyond digitisation. It introduces a framework built on standardisation, transparency, regulation and trust, creating the foundation for a more organised and efficient gold market.

The credibility of any organised gold market ultimately depends on confidence in the underlying asset. Recognising this, NSE EGR has been built on five foundational pillars: purity, dematerialisation, regulation, secure custody and accessibility. Every NSE EGR is backed by gold that conforms to stringent quality standards, including purity levels of up to 99.9 percent. Gold is sourced from accredited refiners and subjected to rigorous testing and verification processes. Such standardisation addresses one of the most persistent challenges in the physical gold market: uncertainty around quality and authenticity.

NSE EGR is fully integrated with India's depository ecosystem. Similar to equities and bonds, ownership is reflected electronically in demat accounts maintained with recognised depositories. The framework operates under a clearly defined regulatory structure established by SEBI and supported by exchanges, depositories, clearing corporations, vault managers, assayers and refiners. Gold is stored in accredited vaults under stringent operational, audit and insurance standards, providing a level of security and transparency that is difficult to replicate in fragmented physical markets.

Multiple denominations further improve accessibility and enable broader participation across investor segments.

In many ways, just as dematerialisation introduced a common standard of ownership for securities, NSE Good Gold Standards seek to introduce a common standard of trust for gold. The broader vision extends beyond electronic ownership. Physical gold can be assayed, refined, standardised, vaulted, converted into NSE EGR, credited to a demat account and traded on the exchange platform. This integrated framework has the potential to connect every participant in the gold value chain through a transparent and trusted ecosystem.

Building a National Gold Ecosystem

The true potential of NSE EGR lies in its ability to create a comprehensive gold ecosystem that benefits every participant in the gold value chain.

At the centre of this ecosystem are Indian households. Generations of families have accumulated gold as a means of preserving wealth and providing financial security. While these holdings represent one of the largest reservoirs of household savings in the country, much of this gold remains economically inactive. NSE EGR creates an opportunity for households to retain exposure to gold while participating in a transparent and organised market structure. Electronic ownership can simplify transfer, succession and eventual monetisation while preserving the underlying value of the asset.

For investors, the proposition is equally compelling. India's Gold ETF ecosystem has expanded rapidly, with investor folios crossing 11 million and assets under management exceeding INR 1.3 trillion. India's Gold ETF holdings have increased to more than 116 tonnes, placing the country among the world's leading markets for financialised gold. This demonstrates that Indian investors increasingly prefer transparent and regulated avenues for gold ownership. NSE EGR represents the next step in this evolution by enabling investors to hold gold directly in demat form, with the assurance of physical backing and the option of taking delivery from accredited vaults.

The benefits extend significantly to Asset Management Companies and Gold Exchange Traded Funds. As inflows into Gold ETFs increase, fresh bullion is often procured to support these investments. A vibrant NSE EGR ecosystem can facilitate greater utilisation of domestic gold holdings, creating opportunities to channel existing gold stocks into the formal financial system before relying on additional imports. Such a development can improve capital efficiency while contributing to broader national objectives relating to import dependence and foreign exchange conservation.

Banks and financial institutions can also derive significant benefits from a standardised gold ownership framework. Gold has long been recognised as a valuable form of collateral, yet challenges relating to purity assessment, custody and standardisation have often constrained its wider integration into financial markets. NSE EGR creates a foundation that can support more efficient collateralisation and facilitate the development of innovative financing solutions linked to gold ownership.

The jewellery industry, valued at approximately USD 95 billion in 2025 and projected to exceed USD 150 billion over the next decade, can also benefit significantly from an organised and transparent gold market. Efficient price discovery, assured quality and improved inventory management can contribute to greater operational efficiency across the value chain. Bullion dealers and refiners similarly benefit from an organised secondary market and a credible exit channel that links domestic refining capacity to exchange traded liquidity.

An especially compelling opportunity exists for religious and charitable institutions. India is home to several temples and trusts that receive substantial gold donations from devotees. These holdings often remain outside the formal financial ecosystem. NSE EGR can provide a transparent framework through which such institutions can manage gold holdings more efficiently while maintaining governance and accountability standards.

The opportunities extend even further. Digital gold donations, wedding gifting in the form of NSE EGR, gold backed lending, collateral creation and innovative wealth management solutions all become possible within a transparent and standardised framework. As the ecosystem evolves, gold ownership can move beyond wealth preservation and become an active participant in economic activity.

A significant future opportunity lies in enabling gold to become an income generating asset. Traditionally, gold has functioned primarily as a store of value. As the ecosystem matures, opportunities may emerge for holders of NSE EGR to participate in lending arrangements that allow them to earn returns while retaining economic ownership. Such mechanisms can create additional liquidity within the gold market and support more productive utilisation of existing gold stocks.

Unlocking Domestic Wealth and Reducing Import Dependence

The most significant contribution of NSE EGR may ultimately be its ability to increase the economic velocity of domestic gold.

EGRs do not eliminate demand for gold. They do something more important. They allow the same gold to serve multiple economic purposes. Every gram of gold that circulates within the NSE EGR ecosystem, whether traded between investors, used to back an ETF unit, deployed as collateral or eventually utilised in lending arrangements, is a gram that does not need to be freshly imported.

This improves the utilisation of existing domestic gold stocks and lowers the marginal demand for imports. For a country carrying an annual gold import bill of nearly USD 72 billion, even modest improvements in the velocity of domestic gold can translate into meaningful relief for foreign exchange reserves and the current account.

The opportunity before India is therefore not merely to import less gold. It is to use existing gold more efficiently. If India succeeds in mobilising just 5 percent of its estimated domestic gold holdings, between 1,250 and 1,500 tonnes of

gold could enter the formal financial ecosystem. This quantity is equivalent to nearly two years of India's current annual imports.

The implications are substantial. Greater utilisation of domestic gold stocks can contribute towards reducing dependence on imported bullion, conserving foreign exchange reserves and supporting current account stability. It can improve liquidity within the gold market, deepen financial markets and encourage greater participation by investors and institutions. More importantly, it can transform an idle stock of wealth into an asset capable of supporting broader economic activity.

As India progresses towards becoming a developed economy, efficient utilisation of domestic resources will become increasingly important. Gold, one of India's most trusted assets, has the potential to play a far greater role in this journey than it does today.

From Price Taker to Price Maker

India accounts for nearly one quarter of global gold demand, yet domestic prices have historically been derived from international benchmarks. The morning benchmark established in overseas markets often becomes the reference price for transactions across India. Despite being one of the world's largest consumers of gold and possessing one of its largest private gold holdings, India continues to function largely as a price taker.

A deep, liquid and transparent NSE EGR market can gradually strengthen India's role in global price discovery. Once exchange traded EGR volumes scale, India will have a continuous, transparent and market determined domestic spot reference for gold. Together with the evolving domestic spot ecosystem and broader bullion market reforms, NSE EGR provides the institutional foundation for India to move from being merely a price taker to becoming a meaningful contributor to global price discovery and, over time, a price setter.

The journey from price taker to price maker will not be completed in one launch or one financial year. However, NSE EGR represents an important beginning. The true significance of NSE EGR lies not in the creation of a new financial instrument, but in the creation of a new economic possibility.

For generations, gold has preserved wealth for Indian households. The next phase of India's economic development requires this wealth to do more. By bringing transparency, standardisation, liquidity and productivity to one of India's most trusted assets, NSE EGR has the potential to unlock dormant national wealth, reduce dependence on imports and strengthen India's financial ecosystem.

Just as dematerialisation transformed India's capital markets and expanded participation across the country, NSE EGR can transform India's gold economy. Built upon NSE Good Gold Standards, transparent market infrastructure and broad-based participation, it can help convert a traditionally passive asset into a productive national resource. In doing so, NSE EGR can support India's journey towards Viksit Bharat 2047 and unlock new opportunities for economic growth, financial inclusion and national prosperity.