
PULSELIFEX SOVEREIGN FINANCE RESEARCH SERIES

India's Sovereign Gold Bonds:

The ₹1.87 Lakh Crore Question Every Taxpayer Should Understand

A Public Edition of the Investigation · Based on Official Data and Independent Research

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About the Author

Mohammad Arshad

Founder, PulseLifeX; Head Sales, Shizi Softwares

Independent Researcher | Sovereign Finance, Public Policy, Business Systems & Supply Chain

- MBA (Marketing)
- B.E. Mechanical Engineering
- LL.B.
- 21+ Years Experience

PulseLifeX is an independent research initiative focused on sovereign finance, public policy, business systems, and supply chain analysis.

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A Note Before You Read

This article is written for ordinary citizens, not finance experts. Every time a technical idea appears, it will be explained first with a simple, everyday example. If you already understand economics, you can skip the examples. If you don't, the examples are for you — and the story matters to you, because it is your money.

All numbers here come from official government documents, RBI reports, Parliament replies, and verified research. Every claim has a source. Nothing is guessed without being clearly labelled as an estimate.

Table of Contents

[Part 1: The Story Begins — What Are Sovereign Gold Bonds?](#)

[Part 2: The Deal — How Investors Benefited](#)

[Part 3: The Surprise — What Changed When Gold Prices Surged](#)

[Part 4: The Bigger Question — Why Experts Are Talking About SGBs](#)

[Part 5: The Gold Reserve Fund — A Household Budget Analogy](#)

[Part 6: Why Accounting Matters — A Family-Finance Example](#)

[Part 7: The RBI Dividend Loop — Gold on Both Sides](#)

[Part 8: Customs Duties and SGB Valuation — A Structural Overlap](#)

[Part 9: The Global Gold Story — Why Gold Won't Go Back to ₹5,000 Per Gram](#)

[Part 10: RBI Gold Repatriation — Bringing Gold Home](#)

[Part 11: Who Wins and Who Pays? — Balanced Perspectives](#)

[Part 12: Alternative Views — Supporters, Critics, and Neutral Analysts](#)

[Part 13: What Happens Next? — Redemption Schedule and Future Scenarios](#)

[Part 14: Key Lessons — What We Know, What We Don't Know, and What Could Change](#)

[Conclusion](#)

[Glossary](#)

[Sources](#)

[Disclaimer](#)

Part 1: The Story Begins — What Are Sovereign Gold Bonds?

The Simple Version

Imagine your neighbour comes to you and says:

"Lend me ₹2,684. In 8 years, I will return whatever the price of 1 gram of gold is on that day — plus 2.5% interest every year."

You think: gold prices don't move that much. You lend the money.

Eight years later, that 1 gram of gold is worth ₹14,400. Your neighbour owes you ₹14,400 — plus 8 years of interest. He borrowed ₹2,684 and must return ₹14,400. That is a 437% increase.

Now imagine your neighbour is the Government of India. And instead of one person, there are millions of investors. And instead of 1 gram, the total is 130 tonnes of gold — equivalent to 130,000,000 grams.

That is the Sovereign Gold Bond scheme. And that is why you should care.

The Official Version

The **Sovereign Gold Bond (SGB)** scheme was launched on **November 5, 2015** by the Government of India, jointly designed by the Ministry of Finance and the Reserve Bank of India. Between 2015 and February 2024, the government issued **67 tranches** of these bonds, raising a total of **₹72,274 crore** from millions of Indian investors — retail savers, HNIs, trusts, and institutions.

The bonds work like this:

- You buy bonds denominated in grams of gold (minimum 1 gram, maximum 4 kg per year for individuals).
- The government pays you **2.5% interest per year** on the issue price.
- After **8 years**, the government returns the **current market price of gold** — not what you paid, but what gold is worth on redemption day.
- Capital gains are completely **tax-free if held to maturity**.

For investors, it was a dream product. For the government, it looked like cheap borrowing — 2.5% versus 7.5% for regular government bonds. What the government did not adequately account for was the risk that gold prices would rise dramatically. They did. And then some.

Part 2: The Deal — How Investors Benefited

Why Millions of Indians Trusted SGBs

For ordinary savers, SGBs were attractive for several reasons:

- **Tax-free gains:** If you held the bond for 8 years, the entire capital gain was tax-free.
- **Regular interest:** You got 2.5% per year, paid every six months.
- **No storage risk:** Unlike physical gold, you didn't need a locker or worry about theft.
- **Easy to buy:** You could buy through banks, post offices, and online platforms.
- **Backed by the government:** It was a sovereign bond — considered as safe as government savings schemes.

Many financial advisors recommended SGBs as a long-term savings tool, especially for middle-class families saving for weddings, education, or retirement.

The government marketed SGBs as a way to:

- Reduce reliance on imported physical gold.
- Offer a safe, interest-bearing instrument to households.
- Deepen financial markets and formalize savings.

In that sense, the scheme was successful: millions of Indians trusted it, and many did well from it.

Part 3: The Surprise — What Changed When Gold Prices Surged

The Simple Version

You borrowed ₹100 from a friend and promised to return "whatever ₹100 buys in gold today." When you borrowed, ₹100 bought 1 gram. Today, that same 1 gram costs ₹537. You owe ₹537. You borrowed ₹100.

That is what happened to the government — but on a massive scale.

The Numbers

Between 2015 and 2024, the government issued **67 tranches** of SGBs, mobilizing **146.96 tonnes** of gold equivalent and raising **₹72,274 crore**.

Outstanding gold as of March 2025: **about 130 tonnes** (official reply).

Current gold price (July 2026): **₹14,400 per gram**.

At this price, the outstanding SGB portfolio represents roughly:

- **₹1.87 lakh crore** in estimated market-value redemption exposure.

This compares with:

- **₹72,274 crore** raised over the life of the scheme.

The gap — roughly **₹1.15 lakh crore** — is the unrealized fiscal cost of gold appreciation since issuance.

Key point: The government borrowed at an average of about ₹4,006 per gram. It now owes ₹14,400 per gram. That is a **2.6x** increase.

If gold prices rise further — as some major banks forecast — the gap could widen to **₹2.5 lakh crore** or more.

Part 4: The Bigger Question — Why Experts Are Talking About SGBs

Why Economists, Accountants, and Policymakers Are Concerned

The Sovereign Gold Bond scheme was not a mistake in itself. It was a creative policy tool that helped reduce physical gold imports and offered savers a good product. But it also created a large, gold-linked exposure that is not fully visible in India's official accounts.

Experts are concerned about three things:

- 1. Scale:** The exposure is large — ₹1.87 lakh crore at current prices — and could grow further.
- 2. Visibility:** The government's budget shows SGBs at the price they were issued, not the price they will be redeemed at. Parliament votes on numbers that do not reflect the true cost.
- 3. Risk:** The Gold Reserve Fund (GRF) — the safety net created for SGB redemptions — has been largely depleted.

This is not about corruption or scandal. It is about **design, disclosure, and governance**. The scheme highlights how governments should manage commodity-linked liabilities in an era of rising gold prices.

Part 5: The Gold Reserve Fund — A Household Budget Analogy

What Is the Gold Reserve Fund?

The **Gold Reserve Fund (GRF)** was created as a dedicated pool of money to pay for SGB redemptions when they came due. Think of it as a savings jar labelled "for gold bond repayments."

Simple example: You take a home loan. The bank requires you to maintain a fixed deposit as collateral — a safety buffer. The GRF was supposed to be that safety buffer for SGB redemptions.

What Happened to the GRF?

Year	GRF Balance
FY 2016–17	₹68 crore (just started)
FY 2024–25 (RE)	₹28,813 crore (peak — looked healthy)
FY 2025–26	₹20,000 crore (declining)
FY 2026–27 (BE)	₹697 crore

The GRF went from **₹28,813 crore to ₹697 crore** in one year. It has been almost entirely depleted.

Why? The government used the GRF to fund actual redemptions as they came due — which is what it was designed for. But the problem is that the redemptions are accelerating, gold prices have tripled, and the fund has not been replenished at anywhere near the rate required.

The Math

Current estimated exposure: **₹1,87,200 crore**.

GRF balance: **₹697 crore**.

The GRF covers **0.37%** of the current exposure. That is not a safety net. That is a postage stamp on a broken dam.

There is also something called the **Economic Stabilisation Fund (ESF)** — a broader government reserve — with approximately **₹50,000 crore** that could theoretically be used. However, the ESF is a general macroeconomic buffer, not a ring-fenced SGB reserve like the GRF. Even adding that, total provision is roughly **₹50,697 crore** against a **₹1,87,200 crore** exposure. Coverage ratio: **27%**. And that is at today's prices. If gold rises further, the gap widens.

Part 6: Why Accounting Matters — A Family-Finance Example

How a ₹1.87 Lakh Crore Exposure Hides in Plain Sight

This is the most technically important section of this article. It requires careful reading. But it is also the most important for understanding why this problem has gone unaddressed for so long.

The core issue: The government shows SGBs in its budget at the **issue price** — what it received when it sold the bonds. It does not show the **current market value** — what it will actually have to pay when the bonds mature.

Simple example:

You borrowed ₹10 lakh from a bank to buy a flat. The flat is now worth ₹50 lakh.

The bank's balance sheet shows the **loan** as ₹10 lakh — that is what you owe.

But if the bank showed the **flat's value** as ₹10 lakh instead of ₹50 lakh, it would **understate** the real collateral cushion, making the bank's risk look smaller than it actually is.

That is what the government is doing with SGBs — showing the **old gold price** (what it received when it sold the bonds) instead of the **current gold price** (what it must pay at redemption), understating the real redemption exposure.

What the budget shows:

- SGB outstanding: **₹67,322 crore** (at issue prices — what was collected)

What the budget should show:

- SGB outstanding: **₹1,87,200 crore** (at current gold prices — what will actually be paid)

Hidden from Parliament: ₹1,19,878 crore — the difference between what was raised and what is owed.

The Government Accounting Standard That Was Approved But Never Notified

There is a body called **GASAB** — the Government Accounting Standards Advisory Board — set up by the Comptroller and Auditor General (CAG) of India. Its job is to create accounting standards for government financial reporting.

GASAB approved a standard called **IGAS 10** — specifically dealing with Public Debt Disclosure, including contingent liabilities. If IGAS 10 had been notified (made legally binding), the government would have been required to disclose the SGB exposure at current market value.

IGAS 10 was approved by GASAB. It has never been notified by the Ministry of Finance.

Simple example: “Imagine a building safety committee that includes the building owner. The committee approves a rule requiring all buildings to install fire sprinklers. The building owner

— who is also on the committee — never signs the notification making it mandatory. His building has no sprinklers. Nobody can legally force him to install them because the rule was never officially notified.”

In the same way, GASAB approved IGAS 10 — a standard that would require the government to disclose SGB exposure at current market value. But the Ministry of Finance — which is part of the government — has never notified IGAS 10, so the exposure stays invisible in the budget

This is not an allegation of deliberate obstruction. It may reflect bureaucratic inertia, inter-agency coordination challenges, or differing views on how quickly to adopt new standards. But the effect is the same: the exposure stays invisible in the accounts, and Parliament votes on a budget that does not reflect the true cost of the SGB scheme.

Part 7: The RBI Dividend Loop — Gold on Both Sides

How Gold Appreciation Is Being Used to Make the Fiscal Deficit Look Better

This section connects three things that appear unrelated: RBI dividends, gold prices, and the government's fiscal deficit. Once you see the connection, you cannot unsee it.

Step 1: Understand What the RBI Dividend Is

Every year, the Reserve Bank of India makes a profit from its operations — interest on government bonds it holds, returns on foreign currency assets, and crucially, **revaluation gains on its gold reserves**. When gold prices rise, the RBI's gold (880 tonnes) becomes more valuable on paper. This paper profit is called a "revaluation gain."

The RBI transfers a portion of its profits to the government every year as a "dividend." This is legal, standard practice, and has happened for decades.

Simple example: You own a house worth ₹50 lakh. Your tenant pays you ₹3 lakh rent per year. You also notice the house is now worth ₹80 lakh — a ₹30 lakh paper gain. If you counted that ₹30 lakh paper gain as "income" and spent it, you would be spending money you haven't actually received. That is what happens when gold revaluation profits are transferred as dividends.

Step 2: What Has Happened to the RBI Dividend

Fiscal Year	RBI Dividend (₹ Crore)
FY 2018–19	28,000
FY 2019–20	57,128
FY 2020–21	99,122
FY 2021–22	30,307
FY 2022–23	87,416
FY 2023–24	2,10,874
FY 2024–25	2,68,590

The RBI dividend increased **859%** from FY19 to FY25 — from ₹28,000 crore to ₹2,68,590 crore. The gold revaluation component grew from **11% to 26%** of the total dividend.

Step 3: How This Affects the Fiscal Deficit

The government counts the RBI dividend as "Non-Tax Revenue" — income that reduces the fiscal deficit. In FY25, the RBI dividend was **17.1%** of total government receipts.

Year	Reported Fiscal Deficit	Without RBI Dividend	Difference
FY 2023–24	5.6% of GDP	6.3% of GDP	0.7%
FY 2024–25	4.8% of GDP	5.6% of GDP	0.8%

The government reported a fiscal deficit of **4.8% of GDP** in FY25. Without the RBI dividend, it would have been **5.6% of GDP**. Parliament voted on the 4.8% figure. The 5.6% figure was not visible.

Step 4: The Circular Loop — The Most Important Insight

Connect the dots:

- Gold prices rise globally
- The SGB exposure rises — the government owes more to SGB investors
- The same gold price rise increases the value of RBI's gold reserves
- RBI books a revaluation profit on its gold
- RBI transfers this profit to the government as dividend
- Government counts it as revenue — fiscal deficit looks lower
- Nobody panics about the SGB exposure because the fiscal numbers look fine

Simple example: You borrowed money from your wife and promised to repay her in gold. Gold prices doubled. You now owe her twice as much. But your salary also doubled because your employer gave you a bonus linked to gold prices. So your bank account looks fine. You feel fine. But the debt to your wife has doubled — and the bonus is not guaranteed to keep coming. The day the bonus stops, the debt is still there.

The government is using RBI's gold appreciation gains to paper over the fiscal cost of its own gold-linked exposures. The same gold price rise that is inflating the SGB exposure is also inflating the RBI dividend that makes the fiscal deficit look manageable. It is a circular accounting loop that works perfectly — until redemption day arrives and the cash must actually be paid out.

Part 8: Customs Duties and SGB Valuation — A Structural Overlap

The Government Is Both the Borrower and the Price Influencer

This section raises a question that no financial journalist has asked publicly. It is not an allegation of wrongdoing. It is a structural observation about an overlap that was embedded in the scheme design from day one.

The Verified Duty Timeline

Date	Action	Official Reason
Pre-July 2024	15% import duty on gold	Standard rate
July 23, 2024	Cut to 6%	Reduce smuggling; boost gems/jewellery exports
August 5, 2024	Major SGB redemption window	—
FY 2025–26	Gold imports hit \$71.98 billion	All-time record — duty cut triggered surge
May 13, 2026	Raised back to 15%	West Asia crisis; forex conservation
May 2026	PM Modi asks citizens to avoid buying gold for 1 year	Unprecedented
May 2026	UAE/CEPA route: duty raised 5%→14%	Plug Dubai arbitrage

The Math That Nobody Published

The July 2024 duty cut from 15% to 6%:

- Reduced domestic gold prices by approximately **4.5%**
- The August 5, 2024 SGB redemption price was calculated on the lower post-cut price
- Government saved approximately **₹620 crore** on that single redemption
- But lost approximately **₹26,000 crore** in customs revenue for the full year

The May 2026 duty hike from 6% to 15%:

- Will save approximately **\$2.5 billion** in forex outflows in FY27
- Will also suppress domestic gold prices relative to international prices
- Will reduce SGB redemption costs for the 2026–2032 wave

The Structural Overlap

The government is simultaneously:

- (a) The SGB issuer — owes ₹1.87 lakh crore to investors, redeemable at market gold prices
- (b) The import duty setter — directly controls the domestic gold price through tariff policy
- (c) The forex manager — needs to conserve foreign exchange
- (d) The fiscal manager — needs to minimise redemption outgo

Simple example: Imagine you borrowed money from your employees and promised to repay them in proportion to the price of wheat. You also happen to be the Agriculture Minister who sets the Minimum Support Price for wheat. Every time you raise the MSP, your debt to your employees increases. Every time you lower it, your debt decreases. Would your employees trust that your MSP decisions are purely about agriculture policy? Or would they wonder if you are managing your personal debt through public policy?

The government can legally reduce what it owes SGB investors by raising import duty — which suppresses domestic gold prices. There is no legal firewall preventing this. No independent body oversees the interaction between duty policy and SGB redemption costs. This overlap was embedded in the scheme design from day one. Nobody designed a safeguard against it.

The July 2024 duty cut happened **13 days before** the August 5 SGB redemption. The government saved ₹620 crore. Was this timing coincidental? The official reason given was reducing smuggling and boosting gems/jewellery exports. Both are legitimate policy goals. But the SGB saving was real, calculable, and never disclosed.

Part 9: The Global Gold Story — Why Gold Won't Go Back to ₹5,000 Per Gram

The Old World vs the New World

Period	Gold Price (\$/oz)	What Was Happening
2015–2020	\$1,100–\$1,500	SGB scheme designed in this era
2020–2022	\$1,600–\$1,800	COVID, US stimulus
2022–2023	\$1,800–\$2,000	Phase 1 floor established
2024–2025	\$2,000–\$3,000	Phase 2 floor established
2026 current	\$4,170–\$5,600	Phase 3 — new structural base

Simple example: Think of gold prices like property prices in Mumbai. In 2005, a flat in Bandra cost ₹50 lakh. In 2010, it cost ₹1.5 crore. In 2020, it cost ₹3 crore. Nobody seriously expects Mumbai property to go back to ₹50 lakh. The floor has permanently shifted. Gold has done the same thing — but globally, and driven by central banks, not just demand.

Why the Floor Has Permanently Shifted — Three Verified Drivers

Driver 1: Central banks are buying gold at record pace

Year	Global Central Bank Gold Purchases
2022	1,000+ tonnes — highest in 55 years
2023	1,000+ tonnes — second consecutive record year
Q1 2026	244 tonnes — record \$37 billion in a single quarter

Central banks — the institutions that set monetary policy — are buying gold aggressively. When the people who print money are buying gold, it tells you something about their confidence in paper money.

Driver 2: China is the biggest buyer — and it is buying for strategic, not financial reasons

China's central bank bought **225 tonnes** of gold in 2023 alone — the largest single central bank purchase in any year by any country. China's official gold reserves stand at **2,279.6 tonnes** (end-2024), but independent estimates suggest actual holdings including unreported purchases could be **3,000+ tonnes**.

Why is China buying so aggressively?

- **Dollar diversification:** China has cut the US dollar's share of its reserves from ~59% (2016) to ~25% (2025)
- **US Treasury dump:** China's US Treasury holdings fell from \$1 trillion+ (2022) to \$768 billion (May 2024)
- **Sanctions-proofing:** In February 2022, Western nations froze \$300 billion of Russia's central bank assets held in London, New York, and Brussels. China drew the obvious conclusion: assets held in Western financial institutions can be seized. Gold held physically in your own country cannot be seized.
- **Yuan internationalization:** Gold backing strengthens the credibility of the Chinese yuan for international trade settlement
- **Room to buy:** Gold is still only ~6% of China's reserves. Their stated target is 20%+. They have a long way to go — and they will keep buying.

Simple example: Imagine you kept all your savings in your neighbour's locker. Then you watched your neighbour freeze someone else's savings without warning. You would immediately start moving your money to your own locker. That is what China is doing — at a national scale, with gold.

The critical insight for India: China is buying gold even at record prices — breaking the traditional rule that central banks buy on dips. This is not a financial trade. It is a strategic imperative. China's price-inelastic buying is itself a structural price floor mechanism. As long as China keeps buying — and it will, because it has a strategic target to reach — gold cannot return to \$1,600–\$1,800.

Driver 3: The Shanghai Gold Exchange has overtaken London as the world's top physical gold market

There are three major gold markets in the world:

- **LBMA (London):** Trades "unallocated" gold — paper claims on gold that may or may not physically exist. Trading volumes far exceed actual bullion.
- **COMEX (New York):** Futures market — mostly cash-settled, not physical delivery.
- **SGE (Shanghai):** Every trade is backed by physical gold. Physical delivery is required.

In 2026, the Shanghai Gold Exchange surpassed London as the world's largest physical gold market. Gold is physically moving from Western vaults to Asian vaults.

In September 2025, China announced plans to serve as a custodian for foreign sovereign gold reserves — directly challenging the Bank of England and the Bank for International Settlements. This is a geopolitical move to make Shanghai the new London for gold settlement.

What this means for India's SGB: India's SGB is a paper gold instrument — the government owes the gold price but does not hold the gold. As the world shifts from paper gold (London/COMEX) to physical gold (Shanghai), physical gold gets permanently repriced upward. India is on the liability side of the very asset that China is accumulating as a strategic reserve.

India is structurally short gold in a world where the largest economy is going structurally long gold.

Part 10: RBI Gold Repatriation — Bringing Gold Home

India Is Quietly Bringing Its Gold Home. Here Is Why That Matters.

The verified facts — from RBI's own official report:

Date	% of RBI Gold Held in India
March 2023	37%
September 2025	65.4%
March 2026	77%

In the six months between September 2025 and March 2026, the RBI moved **104.23 metric tonnes** of gold from the Bank of England and the Bank for International Settlements to domestic vaults in India. In the full financial year FY26, it moved **168.06 metric tonnes** — the third consecutive year of accelerating repatriation.

What does this mean?

- **Sanctions-proofing:** Like China, India is reducing its exposure to Western financial institutions. Gold held in London or Basel can be frozen; gold held in Mumbai cannot.
- **Liquidity vs security:** The RBI is trading some liquidity (it is easier to trade gold in London) for security (it is safer physically in India).
- **Signal to markets:** When a central bank quietly moves this much gold home, it is a signal that it expects geopolitical and financial risks to rise — and that it wants its gold where it can control it.

For the SGB scheme, this matters because the RBI's gold reserves are the ultimate backstop for India's gold-linked exposures. If gold prices keep rising, the RBI's gold becomes more valuable — but the government's SGB exposure also rises. Repatriation does not change the exposure; it changes where the gold sits. But it tells you how seriously the RBI is taking the geopolitical risk environment.

Part 11: Who Wins and Who Pays? — Balanced Perspectives

Winners

- **Retail Investors:** Long-term holders gained tax-free capital gains and 2.5% interest, effectively receiving a sovereign hedge against inflation and currency depreciation.
- **Tax-Efficient Savers:** Investors who held to maturity benefited from the full tax exemption on capital gains.

Mixed Outcomes

- **Government Finances:** The scheme raised short-term revenue but created a long-term, gold-linked exposure that will pressure budgets and forex reserves.
- **Future Budgets:** Redemption outlays will compete with other spending priorities, potentially crowding out social or infrastructure expenditure.

Wider Public Implications

- **Taxpayers:** Future taxpayers will bear the fiscal and forex costs of redemptions.
- **Future Borrowing Costs:** Higher perceived sovereign risk from commodity-linked exposures could affect borrowing costs, though India's overall debt profile remains manageable.
- **Fiscal Allocation:** The need to fund SGB redemptions may influence fiscal allocation decisions in the coming decade.

SGBs transferred significant wealth to households but also created a material fiscal exposure that will be borne by future generations.

Part 12: Alternative Views — Supporters, Critics, and Neutral Analysts

Supporters' View

- SGBs successfully formalized savings and reduced physical gold demand.
- They helped stabilize the current account deficit and supported the rupee.
- They offered households a safe, tax-efficient way to invest in gold.
- The scheme was a legitimate policy response to a real problem.

Critics' View

- The government did not adequately hedge the gold price risk.
- It did not build a reserve fund large enough to cover the mark-to-market exposure.
- It did not disclose the true size of the exposure in its budget.
- It did not create institutional safeguards against the overlap between import duty policy and SGB redemption costs.

Neutral Analysts' View

- The scheme had valid macroeconomic goals and delivered benefits to savers.
- However, the fiscal exposure grew faster than anticipated, and the governance framework did not keep pace.
- The lesson is not about corruption but about design, disclosure, and risk management.

Each perspective contains valid elements. The article's focus on fiscal exposure does not negate the scheme's benefits but highlights that the exposure grew faster than anticipated and remains inadequately disclosed.

Part 13: What Happens Next? — Redemption Schedule and Future Scenarios

The Redemption Wave Is Coming

The first SGB tranches **matured** in 2023–2024. The wave accelerates from 2025 onward. By 2032, most of the 130 tonnes will have matured.

If gold prices stay near current levels or rise further, the government will have to find **₹1.87 lakh crore to ₹2.5 lakh crore** to pay investors. That money must come from:

- Higher taxes
- Cuts in other spending
- More borrowing
- Or some combination of all three

The GRF is nearly depleted. The ESF is a general-purpose buffer, not a dedicated SGB fund. The RBI dividend is volatile and cannot be relied on forever.

Policy Options

4. **Notify IGAS 10:** Make it mandatory for the government to disclose contingent exposures at current market value.
5. **Rebuild the GRF:** Create a transparent, ring-fenced fund for SGB redemptions, funded by a portion of RBI gold revaluation gains or a small levy on gold imports.
6. **Independent oversight:** Create an independent body to monitor the interaction between import duty policy and SGB redemption costs, to prevent policy decisions that primarily benefit the government's balance sheet at the expense of savers.
7. **Full disclosure:** Present the SGB exposure at current market value in every budget document, so Parliament votes with full information.

What You Can Do

If you hold SGBs:

- Understand that your return is linked to gold prices — and that the government's ability to pay depends on its fiscal health.
- Track redemption dates and plan accordingly.
- Ask your MP to demand full disclosure of the SGB exposure in Parliament.

If you don't hold SGBs:

- Ask why a ₹1.87 lakh crore exposure is not clearly visible in the budget.

- Ask why a standard like IGAS 10 was approved but never notified.
- Ask why the GRF was allowed to shrink to 0.37% of the exposure.

This is not about blaming any one government or party. It is about a structural problem that crosses political cycles. The SGB scheme was launched under one government, expanded under another, and is maturing under yet another. The accounting gap, the overlap, and the unhedged exposure are institutional issues — not partisan ones.

Part 14: Key Lessons — What We Know, What We Don't Know, and What Could Change

What We Know

- SGBs raised ₹72,274 crore but now represent an estimated market-value redemption exposure of ₹1.87 lakh crore at current prices.
- The GRF covers less than 0.4% of the current exposure.
- The government's accounts show SGBs at issue price, not redemption value.
- IGAS 10 — a standard that would require mark-to-market disclosure — was approved but not notified.
- The RBI dividend has surged, partly supported by gold revaluation gains.
- The government sets import duties that directly affect domestic gold prices and SGB redemption costs.
- Central banks, especially China, are buying gold aggressively, pushing prices to new structural floors.
- The RBI is repatriating gold to domestic vaults.

What We Don't Know

- Exactly how much gold China holds or plans to buy.
- How high gold prices will go in the long term.
- How future governments will manage the SGB exposure — through taxes, spending cuts, or other measures.

What Could Change This Assessment

Evidence That Would Strengthen the Thesis

- Official disclosure of mark-to-market SGB exposures in budget documents.
- Notification of IGAS 10 by the Government of India.
- CAG performance audit highlighting SGB fiscal risks.
- Data showing SGB redemptions contributing significantly to fiscal deficit or forex outflows.
- Further sharp rises in gold prices, validating scenario stress tests.

Evidence That Would Weaken the Thesis

- Gold prices falling sharply and sustaining below ₹10,000 per gram, reducing redemption exposures.
- Large-scale early redemptions or secondary-market exits smoothing cash flow.

- New government hedging instruments or risk-sharing mechanisms for SGBs.
- Evidence that SGBs meaningfully reduced physical imports beyond current estimates.
- Official data showing GRF or ESF adequately provisioned for elevated prices.

Future Developments That Could Materially Alter Conclusions

- Structural shift in the global monetary system reducing gold's role as a reserve asset.
- India adopting comprehensive mark-to-market government accounting.
- RBI or government introducing explicit hedging for commodity-linked exposures.
- Policy changes capping SGB redemption values or altering tax treatment.
- Major geopolitical or economic shock altering gold demand patterns.

Conclusion

The Sovereign Gold Bond scheme was a bold experiment: borrow in gold, give savers a safe product, and reduce physical imports. In the short term, it worked. In the long term, it created a ₹1.87 lakh crore question that Parliament cannot fully see.

The government borrowed at ₹4,006 per gram. It now owes ₹14,400 per gram. The safety net is gone. The exposure is hidden. The same gold price rise that inflates the exposure also inflates the RBI dividend that makes the fiscal deficit look manageable.

This is not a conspiracy theory. It is a structural mismatch between cash-basis accounting and mark-to-market reality. It is an overlap between being the borrower and the price influencer. It is a failure to notify a standard that would have forced transparency.

The gold market has changed forever. India is on the wrong side of that change — short gold in a world going long gold. The RBI is quietly bringing its gold home. The government is hoping nobody does the math.

It is time to do the math.

Glossary

- **Sovereign Gold Bond (SGB):** A government bond whose redemption value is linked to the market price of gold.
- **Gold Reserve Fund (GRF):** A dedicated fund created to pay SGB redemptions.
- **Economic Stabilisation Fund (ESF):** A general-purpose government reserve used to stabilise the currency and external account.
- **Mark-to-market:** Valuing an asset or exposure at its current market price, not the price at which it was acquired.
- **Contingent exposure:** A potential exposure that depends on a future event — here, the future price of gold.
- **IGAS 10:** A government accounting standard dealing with public debt disclosure, approved by GASAB but not yet notified.
- **GASAB:** Government Accounting Standards Advisory Board — sets accounting standards for government financial reporting.
- **Lakh:** 100,000
- **Crore:** 10,000,000
- **Lakh crore:** 1 trillion (10^{12})

Sources

- Parliament reply, April 1, 2025 (SGB outstanding 130 tonnes)
- RBI Annual Reports 2019–2025
- RBI Press Release, May 22, 2025 (RBI dividend)
- Union Budget Documents FY2017–FY2027 (GRF, ESF, fiscal deficit)
- JP Morgan Global Research, gold price forecasts
- State Street Global Advisors, December 2025 (gold price phases)
- World Gold Council, central bank gold purchases
- RBI Half-Yearly Report on Management of Foreign Exchange Reserves, October 2025–March 2026 (gold repatriation)
- GASAB website (gasab.gov.in)
- CAG website (cag.gov.in)
- Business Standard, Economic Times, The Hindu BusinessLine (import duty changes)

All numbers are rounded for readability. Exact figures are available in the linked sources.

Disclaimer

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