

# SILVER AS COLLATERAL: PROMISE, PITFALLS, AND THE PATH FORWARD

At Eventell Knowledge Series #62, organised by Bullion World, industry leaders came together to examine a landmark development in India's precious metals landscape—the RBI's decision to recognise silver as eligible collateral. As silver moves closer to gold as a financial asset, the webinar explored both its vast potential and its complex realities. Moderated by Mr Srivatsava, the discussion featured insights from Mr Keyur Shah, Mr Rajesh Bhan, Mr Anil Kansara, and other industry voices, offering a balanced, ground-level view on regulation, technology, risk, and the collaborative path required to make silver-backed lending viable and responsible.

## **Silver as Collateral: Promise, Pitfalls, and the Path Forward**

The Reserve Bank of India's Lending Against Gold and Silver Collateral Directions, 2025, issued in June 2025 and effective from April 1, 2026, marks a significant shift in India's precious metals ecosystem. For the first time, silver has been formally recognised as eligible collateral, placing it closer to gold as a financial asset.

India is estimated to hold 75,000–80,000 tonnes of household silver, much of it lying idle. If even a small portion of this stock enters the formal financial system, it could improve liquidity, support household credit, and enhance economic productivity.

However, as highlighted during a detailed Bullion World webinar, regulatory permission alone does not guarantee smooth execution. Silver lending presents structural, technological, and behavioural challenges that are fundamentally different from gold.

Moderated by Mr Srivatsava, the discussion brought together Mr Keyur Shah, Mr Rajesh Bhan, and Mr Anil Kansara offering an industry-wide perspective.

### **Understanding the RBI Framework**

The RBI directions clearly specify that only silver jewellery, ornaments, and coins are eligible as collateral. Primary silver bars, bullion, ETFs, and other

financial instruments are explicitly excluded. Loans must be backed by physical custody of the collateral at the lender's own branch, handled only by its employees, and supported by clearly defined SOPs covering assaying, valuation, storage, and auction procedures.

Importantly, valuation must be based on actual purity, using reference prices such as IBSA or MCX rates adjusted for fineness. RBI also places responsibility on lenders to manage deterioration, discrepancy, and purity risk during storage, an area where silver behaves very differently from gold.

### **A Visionary Move, with Practical Questions**

Mr Srivatsava contextualised the RBI's decision as forward-looking, but emphasised that silver cannot simply be treated as "gold in another colour." Gold lending benefits from decades of standardisation, widespread hallmarking, predictable purity ranges, and quick branch-level testing using the black stone with some basic salts. Silver, by contrast, operates in a fragmented and inconsistent ecosystem. There is no industry-accepted simple method to test silver content as yet.

The discussion therefore focused not on whether silver should be accepted as collateral, but how it can be implemented responsibly without harming consumer trust or lender balance sheets.

## The Lender's Ground Reality: Speed, Cost, and Practicality

**Mr Keyur Shah**, CEO, Precious Metals Business, Muthoot Pappachan Group

“For silver lending to work at scale, purity assessment at the ground level has to be practical, fast, and cost-effective. That is the single biggest challenge today.”

Mr Keyur Shah brought a practitioner's perspective rooted in decades of gold-loan experience. He explained how India's gold-loan ecosystem works because it is built around speed, simplicity, and buffers.

### In gold lending:

- Average ticket sizes are small
  - Purity is assessed quickly using touchstone and acid tests
  - RBI-mandated LTV buffers of up to 25% absorb minor inaccuracies
  - Branch-level turnaround is often 15–20 minutes
- Silver, he argued, disrupts this model at every step.

He highlighted that most silver ornaments in India are not of high purity, often falling in the 60–70% range, and sometimes much lower. Traditional gold-testing methods simply do not work for silver, and deploying XRF machines across thousands of branches is neither practical nor immediately cost-effective.



**Mr Keyur Shah**

### He also raised concerns around:

- Thickness of silver articles, which limits surface testing
- Inconsistent construction, especially in idols and utensils
- Lack of familiarity among consumers regarding silver purity

From his perspective, storage, auctions, and logistics are manageable. The real risk lies in valuation confidence at the point of loan disbursal. Unless this is solved, lenders will move cautiously despite regulatory permission.



**Mr Rakesh Bhan**

## Technology as an Enabler-With Limits

**Mr Rakesh Bhan**, MD- Fischer Measurement Technologies India Private Limited

Mr Rakesh Bhan approached the issue from a technology and instrumentation standpoint, drawing on extensive experience with testing systems used in hallmarking, manufacturing, and precious metals evaluation.

He explained that gold lending is already moving toward digital, traceable testing, particularly through XRF technology, driven by higher gold prices and risk sensitivity. XRF offers key advantages:

- Non-destructive testing
- Digital records with date and time stamps
- Traceability and auditability

For silver, he clarified that XRF remains a viable tool, but must be used correctly. Silver articles are often:

- Large and bulky
- Non-homogeneous
- Made of multiple components with varying purity

Since XRF is a point-measurement technology, a single reading is insufficient. However, because lending does not require laboratory-grade accuracy, multiple XRF readings combined with other tools can manage risk effectively.

#### He discussed complementary methods such as:

- Electrical conductivity testing to detect base metals in the alloy
- Ultrasonic testing to identify internal anomalies including detecting hallowness
- Density-based screening for obvious inconsistencies

*“In silver lending, absolute metallurgical precision is not the goal. With layered, non-destructive technologies and prudent LTVs, risk can be effectively managed.”*

He also noted that handheld XRF devices-once unstable-have improved significantly and are now more reliable, especially for large articles that cannot fit into tabletop machines.

## Refining Reality: Why Silver Is Fundamentally Different

**Mr Anil Kansara,**  
CEO- Auro Metal Refinery Private Limited

Mr Anil Kansara delivered the most technically detailed and cautionary intervention, grounded in decades of refining and assaying experience.

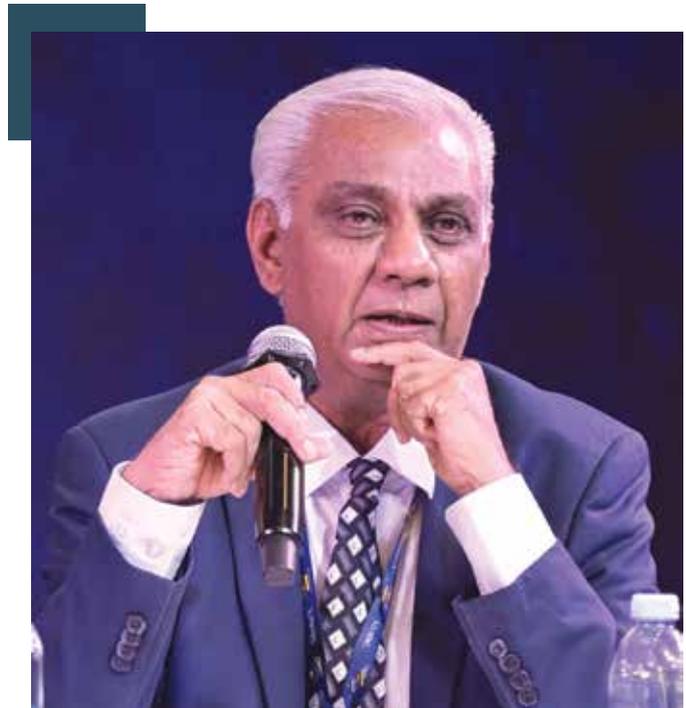
He highlighted a stark reality: much of India’s legacy silver contains foreign materials-iron wires, copper rods, lead solder, cadmium, and nickel-often hidden inside ornaments, idols, and utensils. These elements add weight but distort purity.

#### He shared real-world refining examples where:

- Silver coins tested as low as 8% purity
- Large melts yielded significant quantities of non-silver residue
- Visual inspection and surface testing failed to reveal internal fillers

He stressed that no non-destructive test can fully reveal internal composition. True purity is known only after melting-an option not allowed in lending.

Silver hallmarking, he noted, remains voluntary and operationally difficult, especially for bulky or complex articles. Even hallmarking centres struggle with storage, handling, and testing of large silver items.



**Mr Anil Kansara**

*“Silver is fundamentally heterogeneous. Without melting, you will never know the full truth-and that is why silver lending must begin slowly and selectively.”*

#### His recommendation was clear:

- Start with simpler, higher-purity articles
- Use multiple testing methods, not a single tool
- Apply conservative valuation norms
- Rely on trained human judgment



**Mr Surendra Mehta**

**Mr Surendra Mehta,**  
National Secretary, IBJA

### **Industry Responsibility and the Path Forward**

Mr Surendra Mehta framed the discussion from an industry and policy perspective. He described RBI's move as visionary, noting that silver's price performance has since validated the regulator's foresight.

Rather than focusing on constraints, he urged the industry to collaborate proactively. He warned that without preventive measures; purity disputes could undermine confidence between lenders and borrowers. He emphasized the lack of consumer awareness around silver purity and suggested mandatory purity disclosure on invoices as an immediate, achievable safeguard-especially since hallmarking infrastructure is still limited.

*"Instead of telling RBI there are challenges, the industry must come together and find solutions so that the consumer does not suffer." In his view, silver's transition into an asset class is inevitable. The question is whether the industry shapes that transition responsibly.*

**Mr James Jose,**  
President- Hallmarking Federation of India

### **SOPs and Accountability**

Mr James Jose highlighted the need for clear and practical SOPs under RBI's silver-lending framework. He questioned how lenders should define assaying and valuation methods, and who bears responsibility if disputes arise. Without simple, auditable SOPs, he cautioned, branch-level execution could become inconsistent, increasing operational risk and weakening borrower confidence in silver-backed loans.

### **Some recommendations that emerged from the discussion**

1. Unlike gold, large portion of silver is held as silver bullion. Silver as jewellery is not popular across the country. In the light of challenges such as heterogeneity of silver jewellery and ornaments, it is better to start lending against silver coins which are more standardized.
2. Request can be made to RBI to consider permitting "Primary silver"(silver bars)



**Mr James Jose**

3. Industry body should join together and develop a SOP for measuring purity of silver alloy in silver jewellery and silver ornament form. It can then be shared with regulatory for adoption.

