Economic and Operational Implications of Mandatory Silver Hallmarking in India

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Koan Advisory Group is a New Delhi-based public policy consultancy. It specializes in policy and regulatory analysis in both traditional and emergent sectors and markets. For more information, please visit: www.koanadvisory.com

Authors
Anupam Kaul and Vedika Pandey

contactus@koanadvisory.com | www.koanadvisory.com

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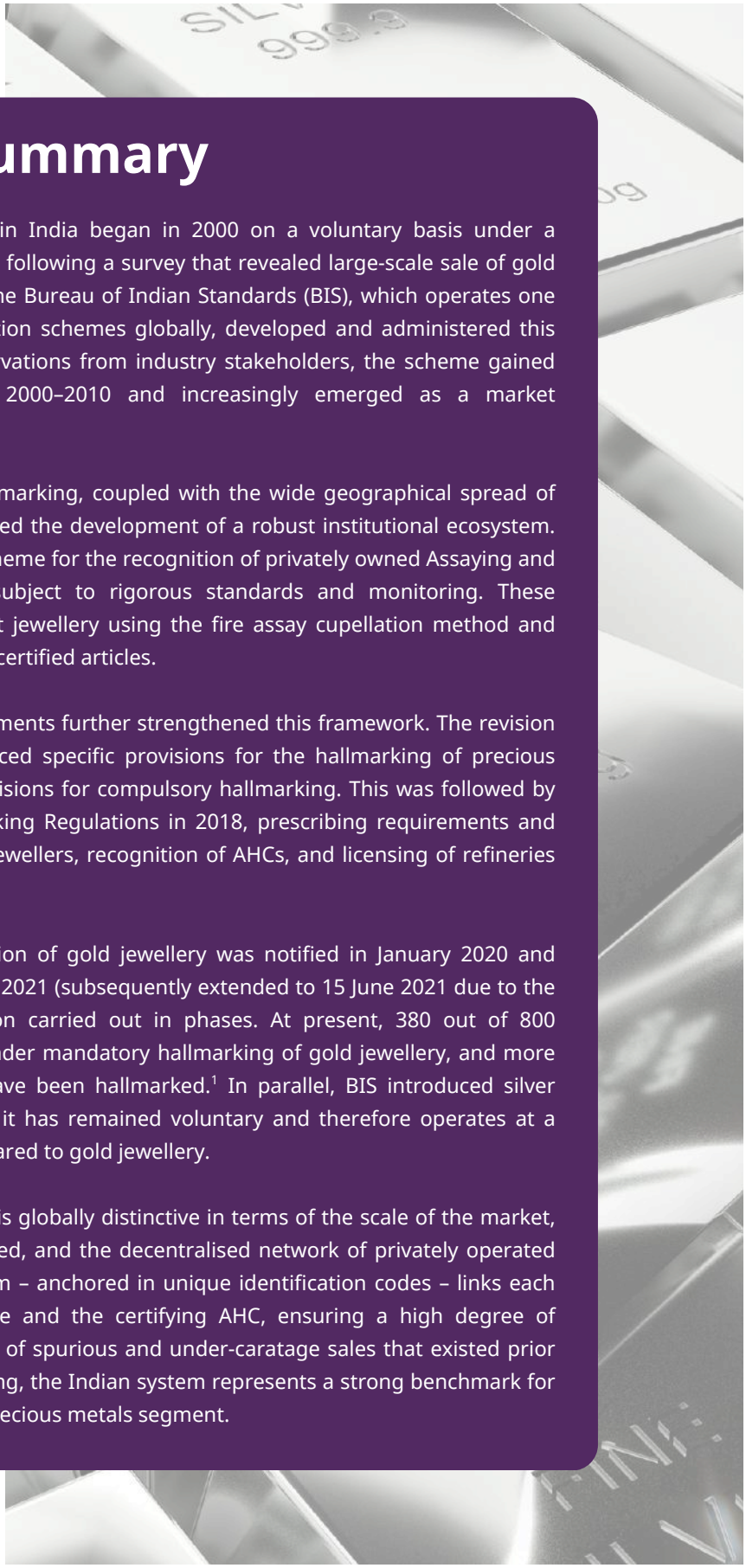


Executive Summary

Hallmarking of gold jewellery in India began in 2000 on a voluntary basis under a direction from the Government, following a survey that revealed large-scale sale of gold with false claims of caratage. The Bureau of Indian Standards (BIS), which operates one of the largest product certification schemes globally, developed and administered this framework. Despite initial reservations from industry stakeholders, the scheme gained momentum over the period 2000–2010 and increasingly emerged as a market differentiator.

The growth in demand for hallmarking, coupled with the wide geographical spread of the jewellery market, necessitated the development of a robust institutional ecosystem. BIS accordingly introduced a scheme for the recognition of privately owned Assaying and Hallmarking Centres (AHCs), subject to rigorous standards and monitoring. These centres were authorised to test jewellery using the fire assay cupellation method and apply hallmarking identifiers to certified articles.

Subsequent regulatory developments further strengthened this framework. The revision of the BIS Act in 2016 introduced specific provisions for the hallmarking of precious metals, including enabling provisions for compulsory hallmarking. This was followed by the notification of the Hallmarking Regulations in 2018, prescribing requirements and procedures for registration of jewellers, recognition of AHCs, and licensing of refineries and mints.

The order mandating certification of gold jewellery was notified in January 2020 and came into effect from 1 January 2021 (subsequently extended to 15 June 2021 due to the pandemic), with implementation carried out in phases. At present, 380 out of 800 districts in India are covered under mandatory hallmarking of gold jewellery, and more than 600 million gold items have been hallmarked.[1] In parallel, BIS introduced silver hallmarking in 2005. However, it has remained voluntary and therefore operates at a significantly smaller scale compared to gold jewellery.

The Indian hallmarking system is globally distinctive in terms of the scale of the market, the volume of articles hallmarked, and the decentralised network of privately operated AHCs. Its traceability mechanism – anchored in unique identification codes – links each hallmarked article to its source and the certifying AHC, ensuring a high degree of accountability. Given the extent of spurious and under-caratage sales that existed prior to the introduction of hallmarking, the Indian system represents a strong benchmark for large-scale certification in the precious metals segment.

The Government of India introduced voluntary silver hallmarking in 2005, administered by the BIS.[2] In September 2025, the BIS introduced a framework which allows manufacturers and jewellers to submit silver articles to BIS-recognised Assaying and Hallmarking Centres (AHCs) for purity certification. Hallmarked products must carry a BIS-mark, the purity grade, the identification mark of the assaying centre, and a six-digit Hallmark Unique Identification (HUID) number, which functions as a traceability code linking each article to BIS records.[3] Although hallmarking itself remains voluntary for silver, HUID markers are mandatory for hallmarked silver articles.

The government's efforts aim to strengthen quality assurance and consumer confidence in precious metals markets. The voluntary phase for silver jewellery and artefacts is intended as a pilot to assess market readiness before considering a transition to mandatory hallmarking for silver, due to its growing investment appeal and rising retail demand.[4]

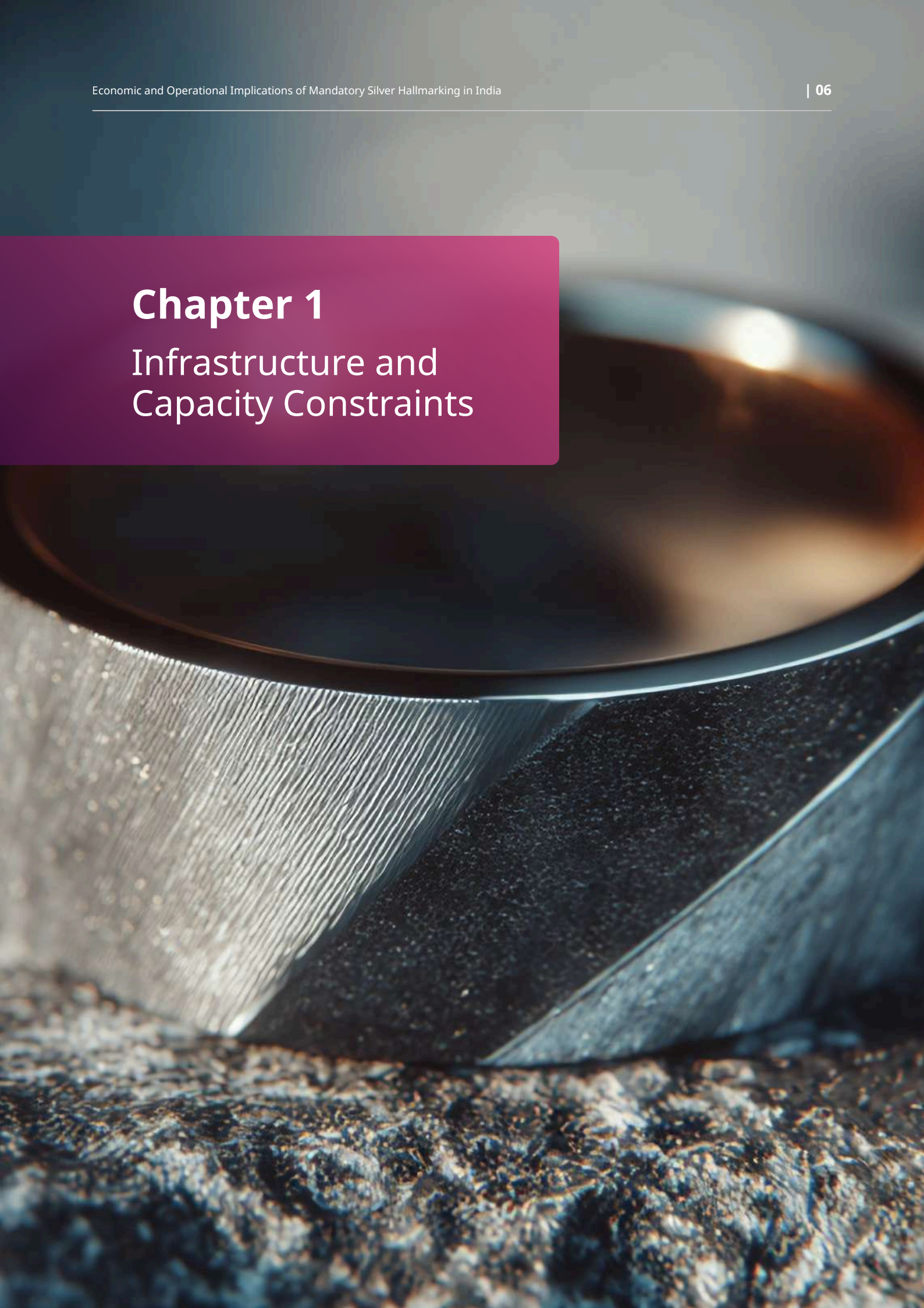
The BIS's approach with silver hallmarking mirrors the hallmarking regime implemented for gold jewellery.[5] In the gold sector, the government has expanded mandatory hallmarking requirements over the past several years, culminating in the requirement that all hallmarked gold jewellery carry a six-digit HUID issued through the BIS hallmarking system.[6] This transition has expanded the hallmarking ecosystem but has also required substantial infrastructure development.[7]

Given the operational success of mandatory gold hallmarking, now covering almost 50 percent of all Indian districts, it is logical for the government to consider its extension to silver, considering silver represents a widely popular jewellery and artefact segment, even as it operates at significantly lower unit costs as compared to gold or platinum. Industry stakeholders are supportive of the objective of improving transparency and consumer protection in the silver market. However, there are concerns that extending mandatory hallmarking requirements to silver jewellery and artefacts could create significant operational and economic challenges.

This Report summarises key structural issues that are likely to arise if silver hallmarking becomes mandatory, including infrastructure constraints, cost implications, potential impacts on micro, medium and small enterprises (MSMEs) and small artisans. It also presents insights from an industry dipstick survey examining the economic feasibility of hallmarking across different categories of silver jewellery and artefacts.

Chapter 1

Infrastructure and Capacity Constraints



1.1 Gaps in Number of Existing Hallmarking Centres

There are significant gaps in the adequacy of existing hallmarking infrastructure to support potential transition to mandatory silver hallmarking. India has around 230 BIS-recognised AHCs for silver,[8] compared to 1,622 AHCs servicing gold jewellery.[9] This infrastructure gap is significant when considered alongside the structural characteristics of the silver market. Silver consumption in India is estimated at up to 7,000 tonnes annually,[10] compared to 600-700 tonnes of projected demand for gold in 2026.[11]

1.2 Geographic Concentration of AHCs

Infrastructure access challenges are further compounded by geographical concentration of hallmarking facilities. Available data suggests that AHCs are located in only about 90 of India's roughly 800 districts (approximately 10% of total number of districts), meaning that a large proportion of manufacturing and retail clusters would need to rely on centres located in distant districts. In addition to the overall numerical shortfall, it is therefore important to assess whether the existing 230 silver-capable AHCs are themselves regionally concentrated, which could further exacerbate access constraints for manufacturers located in underserved regions.

Given the above backdrop, hallmarking demand in the silver sector could be several orders of magnitude larger than the gold market. Without a significant expansion in hallmarking capacity, the likely consequences include longer turnaround times at assay centres, delays in product release to the market, and accumulation of inventory awaiting certification.

Figure 1 below shows a visual representation of data points presented during the February 18 BIS consultation, which demonstrate the potential infrastructure-related gaps which need to be addressed prior to silver hallmarking being made mandatory.

Figure 1: Infrastructure-related gaps which need to be addressed prior to silver hallmarking being made mandatory

Such bottlenecks would have cascading economic effects across the supply chain. Manufacturers and retailers may experience inventory lockups and working capital blockages, particularly during peak demand periods such as wedding and festival seasons. Extended turnaround times could also push demand into non-compliant or informal market segments.

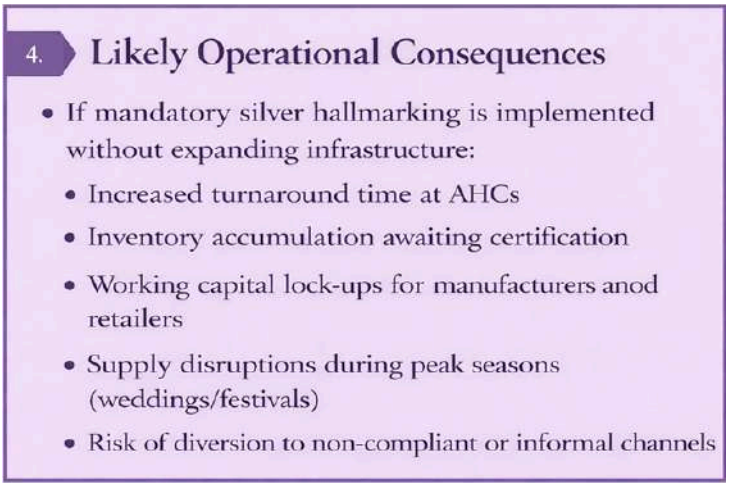


Figure 2: Likely operational consequences of mandatory silver hallmarking without concomitant expansion of hallmarking infrastructure

1.3 Logistical Challenges for Distributed Retail Inventories

Mandatory hallmarking compliance would also create logistical challenges for retailers that operate with highly distributed inventory networks. Many silver retailers maintain stock across large numbers of retail outlets, regional warehouses, and third-party logistics facilities across multiple cities, with inventory frequently moved between locations in response to demand.[12] Some respondents in our survey reported inventory being spread across hundreds of retail points and warehouses, making centralised hallmarking processes difficult to operationalise. Implementing mandatory hallmarking in such environments would require large volumes of products to be consolidated, transported to assaying and hallmarking centres, processed, and redistributed across the network. This would generate significant logistical costs and coordination challenges, while also creating opportunity costs as inventory awaiting certification remains temporarily unavailable for sale. When combined with the high unit volumes associated with silver jewellery, these factors could further exacerbate inventory lockups and working capital pressures across the retail supply chain.

Chapter 2

Market Structure and Compliance Costs

2.1 High-Volume, Low-Value Product Structure

The economics of silver jewellery production differ a lot from those of the gold market. India consumes approximately 7,000 tonnes of silver annually, of which 20–30 percent is used for industrial purposes and another 20–25 percent is held as bullion for investment. The remaining approximately 3,500–4,000 tonnes is used for producing silver ornaments, artefacts, coins and similar products. Domestic production accounts for roughly 700 tonnes, with the balance met through imports from countries such as Mexico, China, Argentina and Chile. By comparison, India consumes approximately 800 tonnes of gold annually.[13]

In volumetric terms, the difference is even more pronounced. Silver is significantly less dense than gold (10.49 compared to 19.32), implying that the physical volume of silver consumed is roughly ten times that of gold. When combined with the market's tendency toward lower purity grades and lighter-weight items, the number of individual silver articles produced is substantially higher. It is estimated that the number of candidate silver products for hallmarking could be 12–15 times that of gold.

This structural difference is reflected in product characteristics. Silver jewellery and artefacts generally retail in the range of ₹300 to ₹2,000, and individual articles often weigh between 1 gram and 20 grams. According to data presented by jewellery industry associations during the February 18 BIS consultation, gold jewellery, is typically characterised by high-ticket value products with higher weight per unit, resulting in fewer individual articles produced per kilogram of metal.[14]

Evidence from the pilot phase of silver hallmarking conducted by the Bureau of Indian Standards illustrates the scale of this high-volume, low value market structure. Of around 300 lakh silver articles hallmarked during the pilot, the largest product category consisted of 800-purity silver anklets, accounting for 35 percent of all items hallmarked, followed by 800-purity toe rings with a market share of 9 percent. These are lightweight and low-value articles produced in large numbers per kilogram of silver, demonstrating the significant unit-volume characteristics of silver trade.[15] Below is a tabular representation of the BIS data of products hallmarked so far under the pilot phase:[16]

Sl.	Articles Type	Purity	No. of articles hallmarked	% of articles hallmarked
1	Anklet	800	7,17,244	35%
2	Toe Ring	800	1,77,505	9%
3	Finger Ring	925	1,40,162	7%
4	Chain	925	1,13,638	6%
5	Coin (Artefacts)	990	1,06,787	5%
6	Bracelet	925	1,05,071	5%
7	Artefacts	925	1,04,866	5%
8	Earring	925	76,329	4%
9	Mix Lot	925	69,672	3%
10	Toe Ring	925	59,044	3%

Figure 3: Tabular representation of BIS data of products hallmarked so far under the pilot phase

This pattern is also reflected in responses from our industry dipstick survey. Three out of five respondents reported that the largest portion of their inventory falls within the sub-5-gram category, reinforcing the observation that the silver jewellery market is dominated by lightweight, high-volume products.

At an operational level, this scale translates into significantly higher throughput requirements for hallmarking infrastructure. As per BIS data, approximately 6 million gold items are hallmarked each month. Applying the relative scale of the silver market suggests that hallmarking volumes could rise to an estimated 70–100 million silver articles per month – indicating that a materially different operational approach may be required for silver as compared to gold.

As discussed in **Section 1** above, there are approximately 1,600 Assaying and Hallmarking Centres of which only about 90 are recognised for silver. Given the significantly higher unit volumes in silver, this network would need to expand substantially – potentially to over 20,000 centres – to support large-scale hallmarking.

2.2 Hallmarking Cost Relative to Product Value

Responses from our dipstick survey indicate that hallmarking charges typically range between ₹30 and ₹52.5 per piece (excluding GST). The reported hallmarking charges as per survey responses were as follow:

Respondent	Hallmarking Cost per Piece
A	₹52.5 + GST
B	₹30–₹50
C	₹50
D	₹45 + GST
E	₹40

At the same time, respondents reported that the average purchase price of finished silver products in the lowest average weight category ranged between ₹52 and ₹1,000 per piece, with most responses clustering between ₹500 and ₹800:

Respondent	Purchase Price of Lowest Weight Product
A	₹540
B	₹800
C	₹500
D	₹52
E	₹1,000

Even before accounting for logistics and compliance overheads, these figures indicate that hallmarking costs can represent a meaningful share of product value, particularly for lightweight jewellery items. A simplified illustration based on an assumed hallmarking price of ₹35 per article (minus logistics and compliance overheads),[17] demonstrates the hallmarking charges relative to the total price of articles of different ranges:

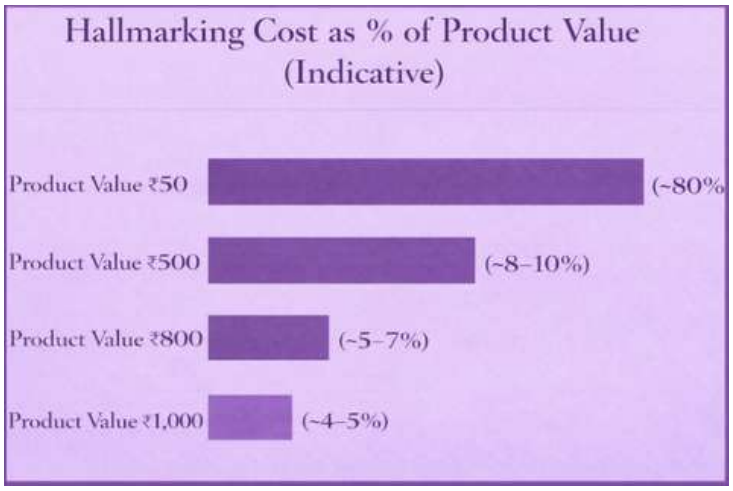


Figure 4: An indicative representation of hallmarking cost as a percentage of product value

The cost burden increases further once additional compliance expenses are taken into account, including transportation to assaying centres, packaging and handling costs, storage during turnaround periods, and working capital loss due to inventory delays.

2.3 Threshold Where Hallmarking Becomes Commercially Material

Our dipstick survey also sought to identify the weight threshold below which hallmarking becomes commercially material in relation to product value. Four out of five respondents indicated that hallmarking becomes economically significant for products weighing 5–10 grams or below.

Reported thresholds were:

Respondent	Threshold Weight
A	10 g
B	5 g
C	5 g
D	10 g

Based on the above, we understand that in lightweight silver jewellery, particularly pieces below roughly 10 grams, the fixed per-piece hallmarking cost represents a significantly higher proportion of overall product value, making compliance disproportionately expensive for these product categories.

2.4 Share of Sales Below the Economic Threshold

Survey responses further indicate that a very large share of the silver jewellery market operates within the weight range where the fixed per-piece hallmarking cost represents a high proportion of overall product value. Three out of five respondents reported that between 90 percent and 98 percent of their total sales volume falls below the weight threshold at which hallmarking becomes commercially material.

2.5 Highly Fragmented and Large Inventories

Industry survey responses also indicate that existing inventories of silver articles are extremely large and highly fragmented across product categories. In our dipstick survey, three out of five respondents reported holding inventories ranging from tens of thousands to over 10 lakh individual silver articles, reflecting the high-volume nature of the silver trade. The scale of such inventories has important implications for any mandatory hallmarking requirement. By contrast, mandatory hallmarking for gold has been rolled out gradually and currently applies across about 400 districts. Imposing similar requirements on the far higher unit volumes seen in the silver market could therefore create substantial compliance and inventory-clearance challenges for manufacturers and retailers. Additionally, given that silver jewellery is widely sold in villages and small townships, the availability of proximate AHCs would be critical to avoid disproportionate logistical costs and delays.

2.6 Implications for Compliance Burden

Taken together, these findings highlight a structural mismatch between the unit economics of silver jewellery production and fixed rate, article-level hallmarking requirements. Because hallmarking is applied to individual pieces rather than by weight, industries like silver jewellery, that produce large volumes of low-value items, face disproportionately high compliance costs. Each article would have to be separately tested, engraved, and recorded within the BIS hallmarking system through a HUID (Hallmark Unique Identification) number, regardless of its weight or value.

During our dipstick survey, one respondent also noted that product categories like earrings, pendants, chains, anklets and toe rings have multiple parts requiring separate hallmarks. Given that BIS found anklets and toe rings to be the most frequently bought articles during its hallmarking pilot, mandatory hallmarking requirements will put disproportionate compliance burdens on the silver industry.

At the same time, before undertaking any transition to mandatory silver hallmarking at this significantly higher scale, it may be useful to assess the experience of mandatory hallmarking in the gold sector in terms of scheme integrity. This includes both the genuineness of HUID markings on retailed products and the accuracy of purity claims. Such an assessment can help inform the design of future interventions, particularly given that voluntary certification mechanisms are typically associated with higher compliance incentives, while large-scale mandatory systems may require additional safeguards to maintain integrity.

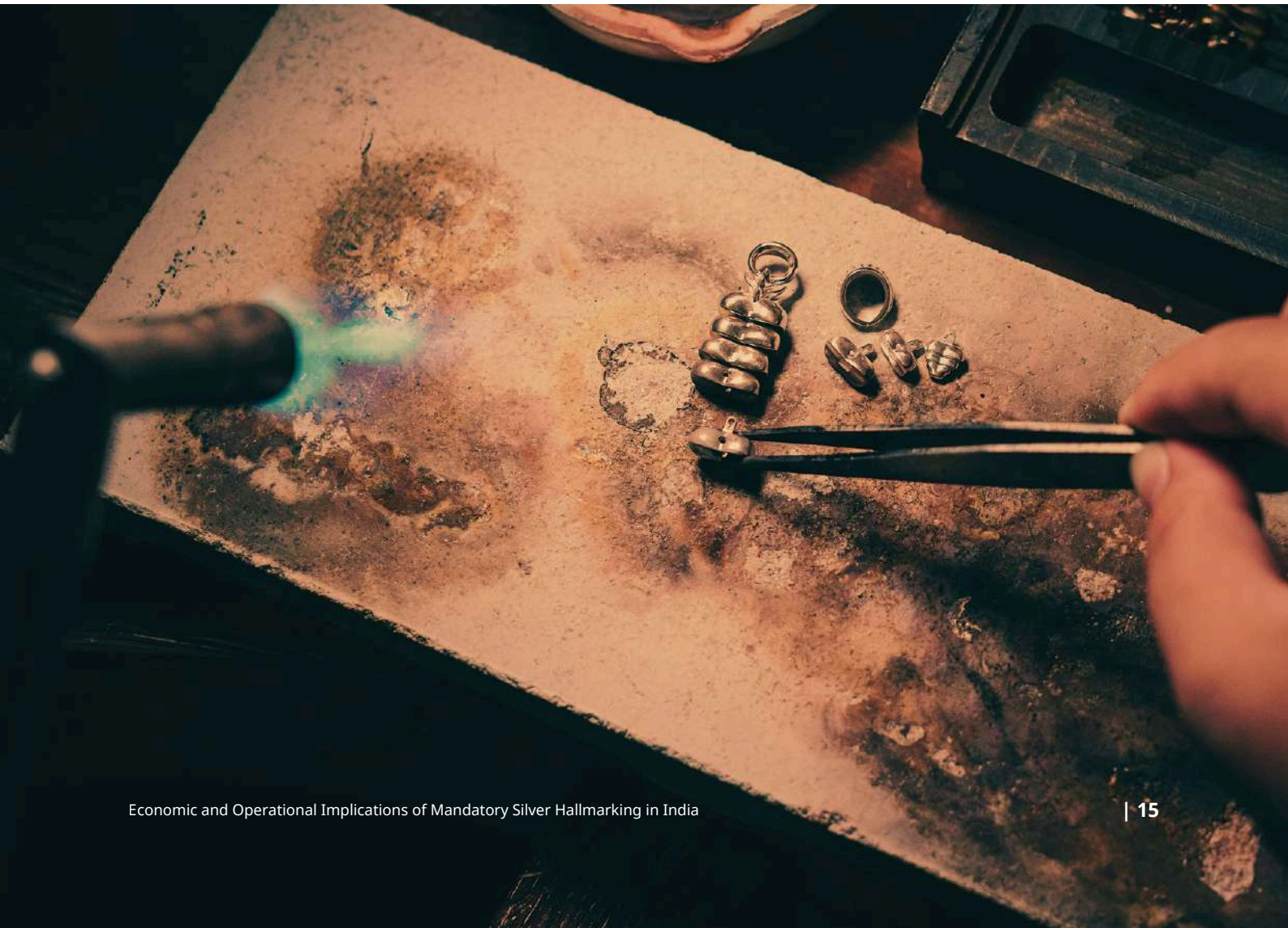
Chapter 3

Impact on MSMEs and Artisan Clusters

Indian gold jewellery manufacturing has gradually shifted towards larger organised manufacturers.[18] However, silver production continues to rely on decentralised artisan networks and small workshops. Traditional silver jewellery production often involves artisans within local craft clusters.[19]

This geographic dispersion has important implications for compliance. Mandatory hallmarking would require manufacturers and artisans to register within the BIS system, maintain records, and physically access Assaying and Hallmarking Centres (AHCs). In regions where AHC availability is limited, this could translate into increased logistical effort, time and cost.

The geographic spread of the silver industry becomes a key consideration in assessing the operational feasibility of large-scale hallmarking requirements.



Chapter 4
Recommendations

4.1 Infrastructure Expansion

Mandatory silver hallmarking should not be introduced without a significant expansion of hallmarking infrastructure. The BIS should publish a clear roadmap for expanding the network of AHCs, including key details like minimum district-level capacity benchmarks and defined turnaround time standards. The plan should also address seasonal demand spikes during wedding and festive periods, when hallmarking volumes are likely to increase. Without such capacity planning, mandatory hallmarking could lead to processing bottlenecks, inventory delays, and working capital blockages across the supply chain.

4.2 Exemption for Small Items

Given the high volume of lightweight silver products in the market, mandatory hallmarking should initially exempt articles below a specified weight threshold. Evidence from our industry survey responses suggests that a substantial share of silver jewellery products fall within the sub-5 to 10-gram range, where the per-piece hallmarking cost represents a significant proportion of product value. As such, items below a defined weight threshold, which should not be below 10-15 grams, should be exempt from mandatory hallmarking requirements, and that weight threshold should be determined using pilot data and industry consultations.

4.3 Hallmarking Fees as a Percentage of Article Value

Given the wide variation in the value of silver jewellery products, a flat per-piece hallmarking fee structure may disproportionately affect low-value items. Policymakers may therefore consider introducing a percentage-based fee structure based on the articles' declared value and capped at a certain amount. Such an approach would ensure that hallmarking remains economically viable for small-value products while preserving the integrity of the certification system.

4.4 Exemptions for Exports and Costume Jewellery

Export-oriented manufacturers should be exempt from mandatory HUID-based hallmarking requirements because products are destined exclusively for overseas markets and must anyway comply with destination-country certification regimes. This would prevent duplication of testing and certification costs that may otherwise reduce the competitiveness of Indian exporters.

An exception should also be made for costume jewellery, where silver is often used only as one component within multi-metal designs. Such products frequently combine small quantities of silver with other base metals, plated materials, etc., making it difficult to apply purity certification intended for homogeneous precious metal articles. In many cases, the silver content may be limited to specific parts of the item rather than the entire piece. Applying conventional hallmarking requirements to such mixed-material products could therefore create compliance ambiguity and impose disproportionate testing costs relative to the value of the silver content. These products should accordingly be exempt from mandatory hallmarking requirements or be subject to a separate regulatory framework that reflects their composite material composition.

4.5 Grace Period of 3-5 Years, Transitional Compliance Framework

Any transition to mandatory hallmarking should include a grace period of at least three to five years to allow manufacturers, retailers, and artisan clusters to adapt to the new framework. Gold AHCs spread across nearly 400 districts to account for a demand of about 700 tonnes. By comparison, there are currently 230 silver AHCs spread across about 90 districts to account for a 7000-tonnes demand. Therefore, mandatory hallmarking obligations for silver must be rolled out gradually to allow the industry to prepare their compliance systems. To start with, mandatory silver hallmarking should apply to higher-weight items above 100 grams. During the grace period, the weight can be gradually lowered to increase the ambit of mandatory hallmarking obligations. Businesses could also be required to include purity declarations on invoices and maintain traceability records for silver inventory, which could be subject to random audit by the BIS. This would improve transparency in the interim while giving industry participants time to adjust operational processes and clear existing inventories.

4.6 Industry-Regulator Working Group under BIS-aegis

Given the structural diversity of the silver jewellery sector, the BIS should consider constituting a formal working group comprising BIS officials, industry associations, hallmarking centres, jewellers' representatives, and independent technical experts. The working group could undertake a targeted market assessment to inform the design of the hallmarking framework before full implementation. The working group should also use market data gathered through mandatory rollout of gold hallmarking.

Key areas for analysis should include: (i) the geographic distribution and processing capacity of AHCs relative to production clusters; (ii) the proportion of silver jewellery falling within low-weight categories and the potential impact of different weight thresholds for exemption; (iii) the cost implications of hallmarking across different product categories and price segments; and (iv) the operational realities of decentralized artisan-based production systems. Evidence generated through such a consultative process would help ensure that the final regulatory framework is both enforceable and proportionate, while minimizing disruption to small manufacturers and traditional jewellery clusters.

Endnotes

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contactus@koanadvisory.com | www.koanadvisory.com