Indian Economy · GS - III

Examine how high import duties can contribute to the growth of illegal gold imports in India. Suggest measures to curb gold smuggling while ensuring effective customs compliance.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 03/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Import duty and price differentials; incentives for smuggling; informal cash transactions; revenue losses; customs enforcement; supply-chain transparency; inter-agency coordination; balanced trade policy

Model Answer

Introduction

The reported surge in illegal gold imports highlights the challenges of regulating a high-value commodity through customs duties and enforcement. According to the supplied article, illegal imports reached 50 tonnes in July–September 2026, compared with 3 tonnes in the corresponding period a year earlier.

Major Issues

A higher import duty raises the landed cost of legally imported gold. If smuggled gold can be sold at a lower price while generating substantial profits for intermediaries, the incentive to evade customs duties increases. Cash transactions without invoices can further expand informal markets and complicate tax enforcement.

Illegal imports also undermine customs revenue, weaken regulatory oversight and disadvantage compliant businesses. However, import duties alone do not explain smuggling; enforcement capacity, market demand and the profitability of illicit trade also matter.

Way Forward

Authorities should strengthen intelligence-led customs inspections, monitor vulnerable smuggling routes and improve coordination among customs, tax and law-enforcement agencies. Digital invoicing, traceable transactions and stronger supply-chain documentation can reduce opportunities for informal sales. Periodic assessment of import-duty rates can help balance revenue objectives with incentives for compliance.

Conclusion

A balanced approach combining effective enforcement, transparent gold trading and calibrated trade policy is essential to reduce smuggling while protecting public revenue and legitimate businesses.

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