Gold Monetization Scheme (GMS)

Prelims – *Indian Polity and Governance, Current events of national and international importance.*

Mains (GS III & II) – *GS III (Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment) | GS II (Government policies and interventions for development in various sectors and issues arising out of their design and implementation).*

Why in the News?

Recently, the Ministry of Finance has decided to discontinue the Gold Monetization Scheme (GMS).

- **Launched in** – *2015*.
- **Objective** – To ***mobilise idle gold*** held by households, trusts and various institutions of the country.
- To facilitate its use for productive purposes, and in the long run to *reduce country's reliance on the import of gold*.
- It is revamped version of Gold Deposit Scheme (GDS).
- **Deposit features**

Types of deposits	Duration	Minimum Lock-in Period	Interest Rate
Short Term Bank Deposit (STBD)	1-3 years	Determined by banks	Determined by banks
Medium Term Government Deposit (MTGD)	5-7 years	3 years	2.25% p.a.
Long Term Government Deposit (LTGD)	12-15 years	5 years	2.50% p.a.

- **Interest rate**
  - **For MTGD & LTGD** – They are decided by the government, in consultation with the RBI and borne by the Central government.
- **Minimum deposit** – 10 grams of raw gold (bars, coins, jewellery excluding stones and other metals).
- **Maximum deposit** – *No limit* for maximum deposit.
- **Eligibility**
  - **Resident Indians** – Individuals, Hindu Undivided Family (HUF), Proprietorship & Partnership firms.
  - **Trusts** – Mutual Funds/Exchange Traded Funds registered under Securities and

Exchange Board of India (SEBI).
    - Companies, charitable institutions, Central & State Government or any other entity owned by Central or State Government.

Proposed changes for closure

- **Reason for closure** – Evolving market conditions and performance of the scheme.
- **Changes** – *Discontinuation of MTGD and LTGD*, including renewal of existing deposits.
- Existing deposits of MTGD and LTGD will continue till maturity.
- Since *short-Term Deposits (STBD)* are under the ambit of banks in the scheme, it *can continue at the discretion* of individual banks based on the commercial viability as assessed by them.

*Gold Monetisation Scheme (GMS) is the **2nd gold scheme to face closure** by the government after sovereign gold bonds.*

References

1. The Indian Express| Government Ends Gold Monetization Scheme
2. RBI| Gold Monetization Scheme (GMS), 2015

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