# Status of Gold Monetization Scheme

## Why in news?

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- The government revealed that Gold monetization scheme has led to deposits worth only 6.4 tons of gold till date.
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- This is less than 2% of the annual imports of the yellow metal in 2016.
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## What is the Gold monetization scheme?

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- This scheme was launched to curb India’s massive gold imports, which contributes significantly to India’s trade deficit.
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- The scheme allows a bank’s customers to deposit their idle gold holdings for a fixed period of time in return for an interest in the range of 2.25% to 2.50%, and redeem it on maturity either in the form of gold or its rupee-equivalent amount.
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## What is the significance of the scheme?

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- Indian households (and temples) collectively own 20,000 tonnes of gold, a figure that is equivalent to the combined amount of gold held by the central banks of the US, Euro area and China.
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- The government hoped that its initiative will help monetize a significant chunk of such gold holdings, which would then be melted and sold/lent to jewellers (and other users of gold), to reduce India’s dependence on

imports.
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## What is the current status of the scheme?

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- The response to the scheme seems to have been extremely less, Gold imports still account for more than one-fourth of India’s trade deficit
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- India remains the largest net importer of gold despite China having surpassed India as the largest consumer
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## What are the setback factors of the scheme?

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- Not many people want to parktheir gold in bank for 2-3% interest.
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- Lack of adequate information or understanding about the gold monetization scheme.
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- Indians seem unwilling to part with their gold in return for interest, they do use it as collateral for loans.
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- Nearly three-fourth of India’s gold stock is held in the form of jewellery and carries a lot of sentimental value.
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- Gender aspect of gold in the form of jewellery allows women some sort of control over ownership and inheritance.
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## What can be the solution?

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- From the reports it is clear that urban households spent more on gold than their rural counterparts, and when these urban people itself not aware of the scheme how the rural people will.

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- Making more awareness about the scheme is a mandatory requirement.
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- The three main motivations behind holding gold are security, prospects of capital gains and liquidity, thus the investors of the scheme need an instant liquidity
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- Indian policymakers should succeed in finding and resolvingthe issues which made the scheme a failure.
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\n**Source:Live mint**

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