

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](#)

