

UNIT 10 - Gold Monetization Scheme- Objectives & Benefits



Gold Monetisation Scheme Objectives & Benefits



In a bid to reduce the physical demand for gold and fish out the precious metal lying idle with households and institutions, Prime Minister Narendra Modi launched three gold related schemes.

1. Gold Monetization Scheme (GMS)
2. Sovereign Gold Bond Scheme (SGBS)
3. Indian Gold Coin Scheme (IGC)

Gold Monetization Scheme is like a Gold savings account, which enables individuals and institutions to deposit their gold holding with the banks and earn interest.

Objectives of Scheme

- It mobilizes the gold held by household and institutions.
- By making gold available as raw material on loan from the bank, it boosts the gems and jewelry sectors in the country.
- It also reduces the dependence on import of gold over time for the domestic demand.
- The investors can deposit gold in short-term deposits for 1-3 years, medium-term for 5-7 years and long term for 12-15 years. The interest rate will be different for different tenures.
- The short-term deposits would be accepted by an individual bank on their own account but the medium and long-term deposits would be accepted by banks on behalf of the Government of India, based on the notification issued by the Reserve Bank of India.

How does it work?

When a customer deposits the gold to the bank, the purity of the gold is determined and the quality of the gold is credited in the metal account, after that this deposited gold will be lent by the banks to jewellers, with a little higher interest rate than the interest paid to the customer.

Key feature:

- Minimum deposit of 30 gm of raw gold in the form of a bar, coin or jewellery is acceptable.
- There is no upper limit for deposit.
- This scheme also allows for premature withdrawal after a minimum lock-in period but it charges penalty.
- All commercial banks would be able to implement the scheme.
- It would offer 2.50% interest per year.
- The interest payment calculation would be on the gold price locked at the time of deposit.

Benefits of investing in the Gold Monetization Scheme:

- One can earn interest by his /her idle gold.

- The scheme offers flexibility so one can withdraw the investment when require.
- One can start the investment with as low as 30gm of gold.
- By reducing the gold import, the scheme would benefit the country.
- Through Gold Monetization Scheme, a portion of the collected gold can be sold or lent to MMTC and RBI for the minting of gold coins and sale. Thus, the gold deposited through this scheme will be re-circulated in the country, which will help to reduce gold import.

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