

Govt Scraps Gold Monetisation Scheme | RBI Clarifies Impact on Deposits

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Gold Monetisation Scheme Latest News

- The government has discontinued the Gold Monetisation Scheme's medium- and long-term deposits from March 26, citing market conditions and scheme performance.
- However, short-term deposits will continue at the discretion of banks based on commercial viability.

Gold Monetisation Scheme (GMS): An Overview

- Introduced in November 2015, the GMS aimed to make idle gold productive by allowing individuals and institutions to sell or deposit gold with banks.
- The goal was to integrate gold into the formal economy, reduce gold imports, and lower the current account deficit.
- It was a revamped version of the earlier Gold Deposit Scheme.

Key Features

- Allowed deposits from households, trusts, and institutions.
- Minimum deposit: 10 gm of raw gold (bars, coins, jewellery without stones/metals).
- No maximum deposit limit.

Three Deposit Categories

- **Short-term bank deposits (1-3 years)** – Managed by banks.
- **Medium-term government deposits (5-7 years)** – Managed by the government.
- **Long-term government deposits (12-15 years)** – Managed by the government.

Gold Monetisation Scheme: Interest Rates

- **Short-Term Deposits**
 - Interest rates were determined by banks based on international lease rates, market conditions, and other costs.
 - Interest was borne by the banks.
- **Medium- and Long-Term Deposits**
 - Interest rates were set by the government in consultation with the RBI.
 - Interest was paid by the Central government.
 - **Medium-term deposits (5-7 years):** 2.25% per annum
 - **Long-term deposits (12-15 years):** 2.5% per annum

Government and RBI on Gold Monetisation Scheme Closure

- **Discontinuation of the Scheme**
 - The **Ministry of Finance** announced the discontinuation of Medium- and Long-Term Government Deposits (MLTGD) under the GMS from March 26, 2025.
 - Only **short-term deposits** managed by banks will continue.
 - From **March 26, 2025**, no new deposits will be accepted at collection centers, testing agents, or designated bank branches.
- **Impact on Existing Deposits**
 - Existing medium- and long-term deposits remain unaffected and will continue until maturity unless withdrawn prematurely.

- The RBI has not issued a separate release but has updated the scheme details on its website.

- **RBI Guidelines**

- The RBI will issue detailed guidelines regarding the scheme's closure.
- It confirmed that the renewal of medium- and long-term deposits has been discontinued from March 26, 2025.

Gold Mobilised Under the Gold Monetisation Scheme

- **Total Gold Collected** – As of November 2024, a total of 31,164 kg of gold was mobilised under the scheme.

- **Breakdown by Deposit Type**

- Short-term deposits: 7,509 kg
- Medium-term deposits: 9,728 kg
- Long-term deposits: 13,926 kg

- **Depositor Participation** – Total depositors: 5,693

- **Gold Collection from Different Sources**

- From individuals/HUFs (FY 2016-17 & 2017-18): 1,134 kg
- From temples, trusts, mutual funds, gold ETFs, and firms: 10,872 kg

Status of Other Gold Schemes in India

- **Gold Monetisation Scheme (GMS) Closure**

- The GMS is the second gold-related scheme to be discontinued after the halt on sovereign gold bonds.
- The decision comes amid a sharp rise in gold prices, which increased by 41.5% from ₹63,920 per 10 gm (Jan 1, 2024) to ₹90,450 per 10 gm (March 25, 2025).

- **Sovereign Gold Bonds (SGB) Discontinued**

- The government stopped fresh issuance of sovereign gold bonds and did not announce any new tranche in Budget 2025-26.
- Reason: SGBs were considered a high-cost borrowing for the government.

- **Government's Gold Strategy**

- Officials had earlier stated that SGBs aimed to boost gold investment, but the cut in gold import duty (Budget 2024-25) already aligned with this goal and helped increase demand.

Gold Monetisation Scheme FAQs

Q1. What is the Gold Monetisation Scheme?

Ans. A scheme launched in 2015 to allow individuals and institutions to deposit gold with banks for interest.

Q2. Why was the Gold Monetisation Scheme discontinued?

Ans. The government cited market conditions and low participation, leading to the scheme's closure from March 26, 2025.

Q3. Will existing gold deposits be affected?

Ans. No, existing medium- and long-term deposits will remain valid until maturity unless withdrawn prematurely.

Q4. What happens to short-term deposits?

Ans. Short-term gold deposits will continue based on banks' commercial viability and interest rates.

Q5. How much gold was mobilized under the scheme?

Ans. As of November 2024, 31,164 kg of gold was mobilized through various deposit categories.

Source: IE

Source: <https://vajiramandravi.com/current-affairs/govt-scraps-gold-monetisation-scheme/>

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