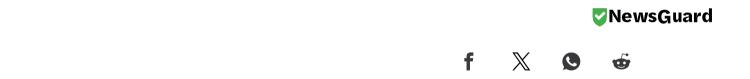


Govt ends Gold Monetisation Scheme: What RBI says about status of existing deposits

The Ministry cited evolving market conditions and performance of the scheme while announcing the discontinuation.

Written by <u>Aanchal Magazine</u> New Delhi | Updated: March 30, 2025 07:03 IST

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The Ministry of Finance on Tuesday said it has decided to discontinue the Gold Monetisation Scheme, except for short-term deposits that are rendered by the banks and not the government. (File)

After sovereign gold bonds, the Centre has drawn the curtains on another gold-related scheme — the Gold Monetisation Scheme (GMS) — amid a spike in gold prices. The Ministry of Finance in a release issued late on Tuesday said that it will discontinue medium- and long-term deposits under the Gold Monetisation Scheme from March 26.

The Ministry cited evolving market conditions and performance of the scheme while announcing the discontinuation. However, short-term bank deposits, which are under the ambit of banks in the scheme, will continue at the discretion of individual banks based on the commercial viability as assessed by them, the Ministry said.

What is Gold Monetisation Scheme?

The Gold Monetisation Scheme was launched in November 2015 to make idle gold productive> It let consumers to either sell their gold or store it with banks, so it could merge into the formal economy and reduce the country's gold imports and thus, reduce the current account deficit. Idle gold held by households, trusts and various institutions in India was deposited under this scheme. GMS was a revamped version of an older Gold Deposit Scheme. It consisted of three components: (1) Short-term bank deposit (1-3 years); (2) Medium-term government deposit (5-7 years); and (3) Long-term government deposit (12-15 years). The minimum deposit allowed was 10 gm of raw gold (bars, coins, jewellery excluding stones and other metals). There was no maximum limit for deposit under the scheme.

Gold monetisation interest rate offered

The amount of interest rate payable for short-term deposits under the Gold Monetisation Scheme is decided by the banks on the basis of the prevailing international lease rates, other costs, market conditions, etc., and is borne by the banks. For medium- and long-term deposits, the rate of interest was decided by the government, in consultation with the RBI and borne by the Central government. Gold Monetisation Scheme interest rate was fixed at 2.25 per cent for medium-term bonds and at 2.5 per cent for the long-term bonds.

What the government, RBI said about the scheme's closure?

The Ministry of Finance on Tuesday said it has decided to discontinue the Gold Monetisation Scheme, except for short-term deposits that are rendered by the banks and not the government. "Based on the examination of the performance of the Gold Monetisation Scheme (GMS) and evolving market conditions, it has been decided to discontinue the Medium Term and Long Term Government Deposit (MLTGD) components of the GMS w.e.f. March 26, 2025," the statement said.

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Any gold deposits tendered at the designated collection and purity testing centre or GMS mobilisation, collection & testing agent (GMCTA) or the designated bank branches will not be accepted with effect from March 26, th<mark>e Ministry said. H</mark>owever, the existing deposits will continue till redemption.

The Reserve Bank of India (RBI) will issue detailed guidelines on this issue, the Ministry said. The RBI has not separately issued a release so far but it has updated the section on the Gold Monetisation Scheme on its website. "It may be noted that consequent to Government of India's press release dated March 25, 2025, mobilisation of MTGD and LTGD, including renewal of existing deposits, has been discontinued with effect from March 26, 2025," the RBI said.

On the question of the impact of the discontinuation of the scheme on existing deposits, the RBI said the existing medium- and long-term government deposits are not impacted and will continue to be governed by the provisions contained in the Master Directions issued earlier. "These deposits shall run till maturity unless these are prematurely withdrawn," the RBI said.

How much gold was garnered under the scheme?

Till November 2024, approximately 31,164 kg of gold had been mobilised under GMS, as per official data. Out of this, short-term gold deposits accounted for 7,509 kg gold, medium-term gold deposits stood at 9,728 kg, and 13,926 kg of the yellow metal was mobilised for long-term gold deposits. About 5,693 depositors participated in GMS. As per an earlier response by the Finance Ministry in Parliament, 1,134 kg of gold was collected from individuals/HUFs during the financial year 2016-17 and 2017-18. Separately, around 10,872 kg of gold was collected from temples/trusts, mutual funds/gold ETFs and other entities such as companies/firms, etc., under the scheme. HUF stands for Hindu Undivided Family.

What is the status of other gold schemes in India?

The Gold Monetisation Scheme is the second gold scheme to face closure by the government in recent months amid a sharp surge in gold prices. The Centre had earlier discontinued fresh issuance of sovereign gold bonds. Gold prices have risen sharply by Rs 26,530 or 41.5 per cent to Rs 90,450 per 10 gm (as of March 25, 2025) from Rs 63,920 per 10 gm on January 1, 2024.

The government did not announce any fresh tranche of sovereign gold bonds in the <u>Budget</u> for 2025-26. After the Budget presentation in February, Economic Affairs Secretary (now Finance Secretary) Ajay Seth had said that gold bonds had been a "fairly high-cost borrowing" for the government and, hence, no fresh issuances were being made. Last year, officials had stated that sovereign gold bonds were issued with the objective to boost investment in gold, but the announcement to cut the import duty on gold in Budget 2024-25 was already in line with that objective and helped raise demand for gold.





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