



Gold Monetisation Scheme

Source: IE

Based on the performance of the [Gold Monetisation Scheme \(GMS\)](#), the Union Government has decided to discontinue the **Medium-Term and Long-Term Government Deposit (MLTGD)** components of the scheme. However, **banks may continue** to offer **Short-Term Bank Deposits (STBD)**.

- Earlier, the government had also discontinued the [Sovereign Gold Bonds \(SGB\)](#).
- **GMS:** The GMS, which comprises the **earlier 'Gold Deposit Scheme' and 'Gold Metal Loan' scheme**, was announced on **15th September 2015**.
 - It aims to decrease the country's long-term dependence on [gold imports](#) and mobilize gold held by households and institutions in the formal economy.
- **Components of GMS:**
 - Short Term Bank Deposit (1-3 years) (variable interest rate)
 - Medium Term Government Deposit (5-7 years) (**2.25%** interest rate)
 - Long-Term Government Deposit (12 - 15 years) (**2.5%** interest rate)
- **Interest Rate Under GMS:** For **MLTGD**, the **rate of interest is decided by the Union** Government in consultation with the [RBI](#), whereas for **short term deposits**, the rate of interest is **decided by the banks**.
- **SGB:** The SGB scheme was **introduced in 2015 to decrease the demand for physical gold** and redirect a portion of domestic savings, which would otherwise be used to buy gold, into **financial savings**.
 - The scheme **provides an interest rate of 2.5%** on the initial investment, with interest credited semi-annually to the investor's bank account.

Read More: [Gold Monetisation Scheme](#), [Sovereign Gold Bond Scheme](#), [Factors Shaping Global Gold Prices](#)

PDF Reference URL: <https://www.drishtiias.com/printpdf/gold-monetisation-scheme-1>