Sovereign Gold Bond Scheme [UPSC Notes GS-II]

The Sovereign Gold Bond Scheme was introduced in the Union Budget 2015-16 by the Union Cabinet which was chaired by PM Narendra Modi. It was launched to reduce the demand for physical gold and with an aim to invest a part of these physicals gold bars and coins that are purchased every year into financial savings in the form of gold bonds.

Some of the highlights of the Sovereign Gold Bond Scheme have been discussed in the table given below:

Sovereign Gold Bond Scheme	
Year of launching	November 2015
Launched by	PM Narendra Modi
Government Ministry	Ministry of Finance
Tenure of Sovereign Gold Bond Scheme	8 years

What is Gold Bond?

Gold Bond is an initiative taken by the Government of India in accordance with Reserve Bank of India to reduce the demand for physical gold as the increasing import of gold is affecting the growth and investment of the country. A large amount of physical gold in the form of gold bars and coins are kept in every Indian household as savings. Sovereign Gold Bond Scheme thus aims at investing these physical gold into financial savings through gold bonds. The tenure of these gold bonds is 8 years which can be cancelled prematurely after 5 years on interest payment dates.

The Sovereign Gold Bond Scheme was launched under the Gold Monetisation Scheme in the year 2015. The Gold Monetisation Scheme was introduced to replace the existing Gold Deposit Scheme (GDS), 1999. The scheme facilitates the gold depositors to earn interest of 2.25% annually for a short-term deposit of one year to three years.

To know more about the benefits of Gold Monetisation Scheme, refer to the linked page.

Who can apply for Sovereign Gold Bond Scheme?

The Sovereign Gold Bond Scheme can be availed by the individuals falling under the following categories:

- As per the Foreign Exchange Management Act, 1999, an individual must be an Indian resident to meet the eligibility criteria under the Gold Bond Scheme.
- Any individual/association/trusts/HUFs having an Indian residency is eligible to invest in the Sovereign Gold Bond scheme. They can also jointly invest in these gold bonds as the eligibility criteria of the scheme.
- The benefits of this scheme can also be availed by the minors provided this bond is purchased by the parents on their behalf.

Government schemes are an important part of the UPSC syllabus. Aspirants must be thorough with the objectives and the activities of these major schemes for the IAS exam.

Benefits of Sovereign Gold Bond Scheme

- The Sovereign Gold Bond Scheme provides flexible gold denomination in terms of purchasing gold. These gold bonds are available in multiple weight denominations starting from 1 gram.
- The gold bonds can be availed either in paper or in demat form as per the convenience of an individual.
- The scheme also provides flexible investment where one can choose the amount he/she wants to invest.
- The interest provided for the gold bond is 2.50% per annum which can be paid semi-annually on the nominal value.
- Sovereign Gold Bond Scheme has a tenure of 8 years which can be withdrawn prematurely after 5 years on interest payment dates.
- The gold bonds invested by the Investors can be gifted or transferred to others who are eligible under the scheme. They can also trade these bonds on stock exchanges subject to notifications of the Reserve Bank of India.
- These Gold bonds can be purchased through multiple payment modes such as cheques, cash, DDs or electronic transfer.