

Sovereign Gold Bond Scheme SGBs Cross 100 Tonne Mark

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 physical gold bars and coins that are purchased every year into financial savings in the form of gold bonds.

Sovereign Gold Bond Scheme Latest News

The sovereign gold bond issue witnessed a 22-month high subscription in March 2023.

News in detail:

- Sovereign gold bonds (SGBs) issued from 6th to 10th March witnessed a 22-month high investor subscription for 3.53 tonnes.
- And with this, now the total bond outstanding has reached a mark above 100 tonnes for the 1st time since the introduction of the scheme in 2015.

Reasons for the high subscription:

- The prospect for gold is looking good and investors are willing to invest in this metal.
- The recent banking crisis in western economics resulted in investors looking for safe havens.
- Recent [government decisions to scrap the long-term tax benefits applicable for gold ETF](#) along with debt mutual funds with equity exposure of up to 35% from 1st April 2023, will lead to incremental flows of funds to SGBs, which are exempt from capital gains tax on redemption although interest on the bonds is taxable.
- In the present interest rate scenario of political uncertainty abroad and the macroeconomic environment, gold remains one of the best asset classes to invest and for investors in India, SGB is the best option.

A seventh tranche of the gold bond scheme - in which the Reserve Bank of India (RBI) issues bonds linked to the market price of gold on behalf of the government made available for investment from 25th October 2021.

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 the 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 this physical gold into financial savings through gold bonds. The tenure of these gold bonds is 8 years which can be canceled 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.

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.
- The tenor of the Bond will be for a period of 8 years with an exit option in the 5th, 6th and 7th year, to be exercised on the 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.