Q71

What is/are the purpose/purposes of Government's 'Sovereign Gold Bond Scheme' and 'Gold Monetization Scheme'? 1. To bring the idle gold lying with Indian households into the economy. 2. To promote FDI in the gold and jewellery sector. 3. To reduce India's dependence on gold imports. Select the correct answer using the code given below (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3 Official key: C.

UPSC Civil Services Prelims 2016 · General Studies · 2 marks · Economy

Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a)

Bringing idle household gold into the economy is a stated aim of Gold Monetisation and is supported by Sovereign Gold Bonds as a paper substitute for physical gold. Statement 3 (cutting import dependence) is also an aim, so 1 only is incomplete.

(b)

Promoting FDI in gold and jewellery plus reducing imports would treat FDI as a purpose of these two schemes. SGB and GMS are domestic gold-policy instruments, not FDI promotion windows. 2 and 3 only is not the key.

(c) Official key

The Sovereign Gold Bond Scheme and the Gold Monetisation Scheme aim to mobilise idle gold and to reduce the current-account pressure of gold imports by offering interest-bearing bonds and deposit facilities instead of bars and jewellery. They are not designed as FDI schemes for the jewellery sector. Statements 1 and 3 only are correct, so (c) is the official key.

(d)

Including statement 2 adds an FDI purpose that the schemes do not carry. All three is therefore wrong.

Summary

Official key is (c) 1 and 3 only. India is among the world's largest gold consumers; imports weigh on the current account. SGB lets residents hold gold in demat form with interest and sovereign backing; GMS lets banks and refiners mobilise deposited gold. Neither scheme is an FDI promotion tool for jewellery. Statement 2 is the false purpose. 1 and 3 capture the actual policy.

Related possible facts

These can be asked in a future Prelims paper.

SGB issuer
Government of India; RBI operationalises the issues

GMS components
Short-term bank deposit, medium- and long-term government deposit

Gold Bond interest
Fixed rupee interest plus gold-price linked redemption

MMI / 80C history
Tax treatment of SGB has included capital-gains relief on redemption in specified cases

Current account
Gold imports are a recurring item in India's CAD

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