

Recent Government Scheme related to Personal Finance

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Recent Govt. Scheme related to Personal Finance

- **Sovereign Gold Bonds Scheme**
- **Gold Monetization Schemes**
- **Sukanya Samriddhi Account**
- **MUDRA Bank**

Sovereign Gold Bonds Scheme

Objective

- a) The scheme will help in reducing the demand for physical gold by shifting a part of the estimated 300 tons of physical bars and coins purchased every year for investment into gold bonds. Since most of the demand for gold in India is met through imports, this scheme will, ultimately help in maintaining the country's Current Account Deficit within sustainable limits.
- b) The issuance of the Sovereign Gold Bonds will be within the government's market borrowing programme for 2015-16 and onwards. The risk of gold price changes will be borne by the Gold Reserve Fund that is being created. The benefit to the Government is in terms of reduction in the cost of borrowing, which will be transferred to the Gold Reserve Fund.

Sovereign Gold Bonds Scheme

Salient Features :-

- a) Sovereign Gold Bonds will be issued on payment of rupees and denominated in grams of gold.
- b) Bonds will be issued on behalf of the Government of India by the RBI. Thus, the Bonds will have a sovereign guarantee.
- c) The issuing agency will need to pay distribution costs and a sales commission to the intermediate channels, to be reimbursed by Government.

Sovereign Gold Bonds Scheme

Salient Features :-

- d) The bond would be restricted for sale to resident Indian entities. The cap on bonds that may be bought by an entity would be at a suitable level, not more than 500 grams per person per year.

- e) The Government will issue bonds with a rate of interest to be decided by the Government. The rate of interest will take into account the domestic and international market conditions and may vary from one tranche to another. This rate of interest will be calculated on the value of the gold at the time of investment. The rate could be a floating or a fixed rate, as decided.

Sovereign Gold Bonds Scheme

Salient Features :-

- f) The bonds will be available both in demat and paper form.
- g) The bonds will be issued in denominations of 5,10,50,100 grams of gold or other denominations.
- h) The price of gold may be taken from the reference rate, as decided, and the Rupee equivalent amount may be converted at the RBI Reference rate on issue and redemption. This rate will be used for issuance, redemption and LTV purpose and disbursement of loans.

Sovereign Gold Bonds Scheme

Salient Features :-

- i) In order to ensure wide availability, the bond will be marketed through post offices/banks/ NBFCs and by various brokers/agents (including NSC agents) who will be paid a commission. Banks/NBFCs/Post Offices/ National Saving Certificate (NSC) agents and others, as specified, may collect money/redeem bonds on behalf of the government (for a fee, the amount would be as decided).
- j) The tenor of the bond could be for a minimum of 5 to 7 years, so that it would protect investors from medium term volatility in gold prices. Since the bond, will be a part of the sovereign borrowing, these would need to be within the fiscal deficit target for 2015-16 and onwards.

Sovereign Gold Bonds Scheme

Salient Features :-

- k) Bonds can be used as collateral for loans. The Loan to Value ratio is to be set equal to ordinary gold loan mandated by the RBI from time to time.
- l) Bonds to be easily sold and traded on exchanges to allow early exits for investors who may so desire.
- m) KYC norms will be the same as that for gold.

Sovereign Gold Bonds Scheme

Salient Features :-

- n) **On maturity**, the redemption will be in rupee amount only. The rate of interest on the bonds will be calculated on the value of the gold at the time of investment. The principal amount of investment, which is denominated in grams of gold, will be redeemed at the price of gold at that time. If the price of gold has fallen from the time that the investment was made, or for any other reason, the depositor will be given an option to roll over the bond for three or more years.

Sovereign Gold Bonds Scheme

Salient Features :-

- o) **Capital gains tax** treatment will be the same as for physical gold for an 'individual' investor. The Department of Revenue has agreed that amendments to the existing provisions of the Income Tax Act, for providing 'indexation benefits to long term capital gains arising on transfer of bond'; and for 'exemption for capital gains arising on redemption of SGB' will be considered in the next budget (Budget 2016-17). This will ensure that an investor is indifferent in terms of investing in these bonds and in physical gold- as far as tax treatment is concerned.

Sovereign Gold Bonds Scheme

Salient Features :-

p)Upside gains and downside risks will be with the investor and the investors will need to be aware of the volatility in gold prices.

Gold Monetization Schemes

Gold Monetization Schemes

Objective

- a) The scheme will help in mobilizing the large amount of gold lying as an idle asset with households, trusts and various institutions in India and will provide a fillip to the gems and jewellery sector. Over the course of time this is also expected to reduce the country's dependence on the import of gold.
- b) The mobilized gold will also supplement RBI's gold reserves and will help in reducing the government's borrowing cost.
- c) The risk of gold price changes will be borne by the Gold Reserve Fund that is being created. The benefit to the Government is in terms of reduction in the cost of borrowing, which will be transferred to the Gold Reserve Fund.

Gold Monetization Schemes

Gold Savings Account:

In the revamped scheme, a Gold Savings Account will be opened by customers at any time, with KYC norms, as applicable. This account would be denominated in grams of gold.

Transfer of Gold to Refiners:

Collection and purity testing centres will send the gold to the refiners. The refiners will keep the gold in their ware-houses, unless banks prefer to hold it themselves. For the services provided by the refiners, they will be paid a fee by the banks, as decided by them, mutually. The customer will not be charged.

The banks will enter into a tripartite Legal Agreement with refiners and Collection and Purity Testing Centres that are selected by them to be their partners in the scheme.

Gold Monetization Schemes

Gold Metal Loan Account: A Gold Metal Loan Account, denominated in grams of gold, will be opened by the bank for jewelers. The gold mobilized through the revamped GDS, under the short-term option, will be provided to jewelers on loan, on the basis of the terms and conditions set-out by banks, under the guidance of RBI.

Delivery of gold to jewelers: When a gold loan is sanctioned, the jewelers will receive physical delivery of gold from refiners. The banks will, in turn, make the requisite entry in the jewelers' Gold Loan Account. Interest received by banks: The interest rate charged on the GML will be decided by banks, with guidance from the RBI.

Tenor: The tenor of the GML at present is 180 days. Given that the minimum lock-in period for gold deposits will be one year, based on experience gained, this tenor of GML may be re-examined in future and appropriate modifications made, if required.

Gold Monetization Schemes

Utilization:

The deposited gold will be utilized in the following ways:

- Under medium and long-term deposit
- Auctioning
- Replenishment of RBIs Gold Reserves
- Coins
- Lending to jewelers
- Under short-term deposit
- Coins
- Lending to jewelers

Gold Monetization Schemes

Tenure:

The deposits under the revamped scheme can be made for a short-term period of 1-3 years (with a roll out in multiples of one year); a medium-term period of 5-7 years and a long-term period, of 12-15 years (as decided from time to time). Like a fixed deposit, breaking of lock-in period will be allowed in either of the options and there would be a penalty on premature redemption (including part withdrawal).

Interest rate:

The amount of interest rate payable for deposits made for the short-term period would be decided by banks on basis of prevailing international lease rates, other costs, market conditions etc. and will be denominated in grams of gold. For the medium and long-term deposits, the rate of interest (and fees to be paid to the bank for their services) will be decided by the government, in consultation with the RBI from time to time. The interest rate for the medium and long-term deposits will be denominated and payable in rupees, based on the value of gold deposited.

Gold Monetization Schemes

Tax Exemption: Tax exemptions, same as those available under GDS would be made available to customers, in the revamped GDS, as applicable.

Gold Reserve Fund: The difference between the current borrowing cost for the Government and the interest rate paid by the Government under the medium/long term deposit will be credited to the Gold Reserve Fund.

Sukanya Samriddhi Account

Sukanya Samriddhi Account

The Sukanya Samriddhi Account can be opened at any India Post office or a branch of some notified branches of commercial banks in India.

Eliligible person: A natural/ legal guardian on behalf of a girl child whose age is not more than 10 years. Upto two girl children or three in case of twin girls as second birth or the first birth itself results in three girl children

Documents Required: The following Documents may be asked by banks at the time of opening Sukanya Samriddhi Account:

- Birth Certificate of Girl Child in whose name account is opened.
- Address proof/Identity of Guardian
- PAN of Guardian
- Initial Deposit amount i.e. Rs.1000/- by Cheque/Cash/Draft

Maximum Deduction u/s 80C: Rs.1,50,000/-

Sukanya Samriddhi Account

Minimum and Maximum Amount of Deposit: Min.1000 of initial deposit with multiple of one hundred rupees thereafter with annual ceiling of Rs.150000 in a financial year.

Fine: Rs.50/- will be levied is minimum amount not deposited in any Financial Year.

Interest Rate: 9.20% w.e.f. 01-04-2015 ([Notification](#)). Prior to this interest rate was 9.1% p.a.

Tax Rebate: As applicable under section 80C of the IT Act, 1961.

Maturity: The term of maturity is 21 years from the date of opening of the account. The Maximum period upto which deposits can be made is 14 years from the date of opening of the account. Premature Closure is allowed in the specified situation as per scheme such as death of the depositor, life threatening diseases.

However 50% of the balance lying in the account can be withdraw as at the end of previous financial year for the specified purposes such as higher education, marriage after age of 18 years.

Transfer of Account: The account can be transferred any where in India from one post office/Bank to another.

MUDRA BANK (INDIA)

MUDRA :- Micro Units Development and Refinance Agency Ltd.

A refinance agency and not a direct lending institution. MUDRA provides refinance support to its intermediaries viz. Banks / Micro Finance Institutions / Non Banking Finance Companies, who are in the business of lending for income generating activities in the non farm sector in manufacturing, trading and services sector and who in turn will finance the beneficiaries.

MUDRA BANK (INDIA)

What are the offerings of MUDRA? How will MUDRA function?

Under the aegis of Pradhan Mantri MUDRA Yojana, MUDRA has already created its initial products / schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth /development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth to look forward to :

- Shishu : covering loans upto 50,000/-
- Kishor : covering loans above 50,000/- and upto 5 lakh
- Tarun : covering loans above 5 lakh to 10 lakh

MUDRA will be operating as a refinancing institution through State / Regional level intermediaries. MUDRA's delivery channel is conceived to be through the route of refinance primarily to NBFCs / MFIs, besides other intermediaries including Banks, Primary Lending Institutions etc.

At the same time, there is a need to develop and expand the delivery channel at the ground level. In this context, there is already in existence, a large number of 'Last Mile Financiers' in the form of companies, trusts, societies, associations and other networks which are providing informal finance to small businesses.

MUDRA BANK (INDIA)

Who are the target clients of MUDRA / What kind of borrowers are eligible for assistance from MUDRA?

Non –Corporate Small Business Segment (NCSBS) comprising of millions of proprietorship / partnership firms running as small manufacturing units, service sector units, shopkeepers, fruits / vegetable vendors, truck operators, food-service units, repair shops, machine operators, small industries, artisans, food processors and others, in rural and urban areas.

What is the eligibility of persons for availing MUDRA loans?

Any Indian Citizen who has a business plan for a non-farm sector income generating activity such as manufacturing, processing, trading or service sector and whose credit need is less than 10 lakh can approach either a Bank, MFI, or NBFC for availing of MUDRA loans under Pradhan Mantri Mudra Yojana (PMMY). The usual terms and conditions of the lending agency may have to be followed for availing of loans under PMMY. The lending rates are as per the RBI guidelines issued in this regard from time to time.

MUDRA BANK (INDIA)

Is there any subsidy under Pradhan Mantri Mudra Yojana (PMMY). If so details thereof?

There is no subsidy for the loan given under PMMY. However, if the loan proposal is linked some Government scheme, wherein the Government is providing capital subsidy, it will be eligible under PMMY also.

Thank You

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