Bank Deposit Insurance Programme and Norms to Access Funds

Why in news?

Prime Minister Narendra Modi has addressed the function on Depositors First: Guaranteed Time-bound Deposit Insurance Payment up to Rs 5 lakh.

What is DICGC?

- Deposit Insurance and Credit Guarantee Corporation (DICGC) is a wholly-owned subsidiary of the Reserve Bank of India (RBI).
- It provides deposit insurance that works as a protection cover for bank deposit holders when the bank fails to pay its depositors.
- It insures all kinds of deposit accounts of a bank, such as savings, current, recurring, and fixed deposits (including principal and interest) up to a limit of **Rs. 5 lakh** per account holder per bank.
- DICGC protects depositors' money kept in all commercial and foreign banks located in India - central, state, urban co-operative banks, RRBs and local banks, provided that the bank has opted for DICGC cover.
- The agency's operations are performed as per **The Deposit Insurance and Credit Guarantee Corporation Act, 1961** and **The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961**, framed by RBI.
- Under the Act, insured banks are required to pay a premium to the Corporation on their deposits which is notified by the Corporation with the prior approval of RBI.
- DICGC does not cover
    1. Deposits of state or Central governments
    2. Deposits from foreign governments
    3. State land development banks depositing with the state co-operative bank
    4. Inter-bank deposits
    5. Funds that are due on account of India and deposits received outside India
    6. Funds exempted by the corporation with the previous approval from RBI

7. **Primary cooperative societies** are not insured by the DICGC

What changes were made in the deposit insurance law?

- Troubles for depositors in getting immediate access to their funds in banks in recent cases such as Punjab & Maharashtra Co-operative (PMC) Bank, Yes Bank and Lakshmi Vilas Bank had put spotlight on the subject of deposit insurance.
- As per recent amendments, depositors in a bank are paid up to Rs 5 lakh **within 90 days** without waiting for eventual liquidation of the distressed banks.
- This covers banks already under moratorium and those that could come under moratorium.
- Within the first 45 days of the bank being put under moratorium, the DICGC would collect all information relating to deposit accounts and in the next 45 days, it will review the information and repay depositors closer to the 90th day.

How was the scheme helpful?

- Rs 1,300 crore had been paid to over 1 lakh depositors who could not access their money as their banks faced financial crises
- Further 3 lakh such depositors were set to receive funds stuck in such accounts.
- The PM noted that the deposits worth Rs 76 lakh crore were insured under the DICGC Act providing full coverage to around 98 per cent of bank accounts against the international benchmark of 80%.

References

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