

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO. 3650

ANSWERED ON MONDAY, 8th AUGUST, 2022/ SRAVANA 17, 1943 (SAKA)

PROTECTION OF INVESTORS

†3650. SHRIMATI KESHARI DEVI PATEL

Will the Minister of FINANCE be pleased to state:

- a) the details of the steps being taken to protect the interests of the investors/account holders having Fixed Deposit (FD) in the bank;
- b) whether the Government proposes to take any step to safeguard the money of investors in view of the fact that an investor having a FD of Rs.10 lakhs is only ensured upto five lakhs and in case of default by the bank the investors/account holders will get only the ensured amount and the balance amount is lost and if so, the details thereof and if not, the reasons therefor; and
- c) whether the Government proposes to take any step to provide the benefit of the interest accrued on FD in the bank to the investors for the duration for which the fixed deposits has been kept in the bank even if one opts to use FD before the lock-in period keeping in view that as per the present norms FD has a lock-in period of five years, so one can withdraw the fund only after maturity otherwise no benefit is given to the investors and if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): The Deposit Insurance and Credit Guarantee Corporation (DICGC), a wholly-owned subsidiary of the Reserve Bank of India (RBI), provides insurance for bank deposits:

- DICGC insures all deposits such as savings, fixed, current and recurring, etc. including accrued interest, in terms of the provisions of the DICGC Act, 1961. As specifically defined in Section 2 (g) of the Act, “deposit” means the aggregate of the unpaid balances due to a depositor in respect of all his accounts by whatever name called, thereby including, inter alia, fixed deposits and accrued interest in its ambit. Section 16 (1) of the Act further provides for deposit insurance for a depositor by DICGC equal to the amount due to him in respect of his deposit in the bank, subject to the ceiling/ limit of deposit insurance.

- With a view to providing a greater measure of protection to depositors in banks, DICGC raised the limit of insurance cover for depositors in insured banks from the earlier level of ₹1 lakh to ₹5 lakh per depositor with effect from 04.02.2020.

- Accordingly, the number of fully protected accounts at end-March 2022 constituted 97.9% of the total number of accounts. In terms of amount, the total insured deposits as at end-March 2022 stood at ₹81,10,431 crore and constituted 49.0% of assessable deposits (₹1,65,49,630 crore). This is higher than the guidance of International Association for Deposit Insurance (IADI) which recommends coverage of number of accounts up to 80% and 20-30%

in value terms. As per core principle of effective deposit insurance, cover should be limited, credible, cover vast majority of deposits, and subject to market discipline. Cover given by DICGC is according to this principle.

- The deposit insurance cover of ₹5 lakh is applicable uniformly to all insured banks and their depositors, and is payable to any depositor in respect of deposits held by him/ her in the same right and same capacity at all the branches of an insured bank taken together, in case of liquidation/ failure of a bank.

- Further, vide the Deposit Insurance and Credit Guarantee Corporation (Amendment) Act, 2021 which was brought into force with effect from 01.09.2021, a new Section 18A was inserted in the DICGC Act, 1961, enabling depositors to get easy and time-bound access to their deposits to the extent of deposit insurance cover through interim payments by DICGC, in cases of imposition of restrictions on banks under the Banking Regulation Act, 1949 such as when banks are placed under 'All Inclusive Directions' (AID) by RBI. In such cases, DICGC is liable to make interim payments to depositors up to the deposit insurance cover of ₹ 5 lakh within 90 days of imposition of such directions. The time-bound payment to depositors of banks placed under AID has paved the way for improving public confidence in the banking system and has also helped in strengthening financial stability.
