



Bank Deposit Insurance Programme

For Prelims: Deposit Insurance, its limit and coverage, DICGC

For Mains: Importance of Deposit Insurance and the need of the Deposit Insurance and Credit Guarantee Corporation (DICGC)

Why in News

Recently, the Prime Minister said that **Rs 1,300 crore had been paid to over 1 lakh depositors** who could not access their money as their banks faced financial crises.

- The **deposits worth Rs 76 lakh crore** were insured under the **Deposit Insurance and Credit Guarantee Corporation (DICGC) Act** providing full coverage to around 98% of bank accounts.
- Earlier, the Union Cabinet cleared the [Deposit Insurance and Credit Guarantee Corporation \(DICGC\) Bill, 2021](#).

Deposit Insurance: It is a **protection cover against losses** accruing to bank deposits if a bank fails financially and has no money to pay its depositors and has to go in for liquidation.

Credit Guarantee: It is the **guarantee that often provides for a specific remedy** to the creditor if his debtor does not return his debt.

Key Points

- **Limit for Deposit Insurance:**
 - Currently, a depositor has a **claim to a maximum of Rs 5 lakh per account** as insurance cover. This amount is termed '**deposit insurance**'
 - The **cover of Rs 5 lakh per depositor** is provided by the **Deposit Insurance and Credit Guarantee Corporation (DICGC)**.
 - Depositors **having more than Rs 5 lakh in their account have no legal recourse** to recover funds in case a bank collapses.
 - Premium for the insurance has been raised from **10 paise for every Rs 100 deposit, to 12 paise** and a limit of 15 paise has been imposed.
 - The premium for this insurance is paid by banks to the DICGC, and not be passed on to depositors.
 - The Insured banks **pay advance insurance premiums** to the corporation semi-annually within two months from the beginning of each financial half year, based on their deposits as at the end of previous half year.
- **Coverage:**
 - Banks, including regional rural banks, local area banks, foreign banks with branches in India, and cooperative banks, are mandated to take deposit insurance cover with the

DICGC.

▪ **Types of Deposits Covered:**

- DICGC insures all bank deposits, such as saving, fixed, current, recurring, etc. **except the following types of deposits:**
 - Deposits of foreign Governments.
 - Deposits of Central/State Governments.
 - Inter-bank deposits.
 - Deposits of the State Land Development Banks with the State co-operative banks.
 - Any amount due on account of any deposit received outside India.
 - Any amount which has been specifically exempted by the corporation with the previous approval of the RBI.

▪ **Need of Deposit Insurance:**

- 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.

DICGC

▪ **About:**

- It came into **existence in 1978** after the merger of **Deposit Insurance Corporation (DIC) and Credit Guarantee Corporation of India Ltd. (CGCI)** after passing of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 by the Parliament.
- It serves as a **deposit insurance and credit guarantee** for banks in India.
- It is a fully owned subsidiary of and is governed by the [Reserve Bank of India \(RBI\)](#).

▪ **Funds:**

- The Corporation maintains the following funds :
 - Deposit Insurance Fund
 - Credit Guarantee Fund
 - General Fund
- The first two are **funded respectively by the insurance premia and guarantee fees received** and are utilized for settlement of the respective claims.
- The **General Fund is utilized for meeting the establishment and administrative expenses** of the Corporation.

[Source: IE](#)

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