



Prepaid Payment Instrument

For Prelims: [Prepaid Payment Instrument](#), [RBI](#), [DICGC](#), [Remittance](#), **Insurance Fund, Regulated Entities.**

For Mains: Coverage of DICGC to Prepaid Payment Instruments.

Why in News?

A committee reviewing customer service standards for [RBI \(Reserve Bank of India\)](#) regulated entities has recommended the extension of [Deposit Insurance and Credit Guarantee Corporation \(DICGC\)](#) to [Prepaid Payment Instrument \(PPI\)](#) to protect against fraud and unauthorized transactions.

- The committee has recommended that the RBI should examine the possibility of extending DICGC cover to PPI segment, including bank **PPIs and later non-bank PPIs.**
- The RBI should incentivize regulated entities to improve customer service and **strengthen overall customer protection efforts.**

What are Prepaid Payment Instruments?

▪ About:

- PPIs are instruments **that facilitate the purchase of goods and services**, conduct of financial services and **enable [Remittance](#) facilities**, among others, against the money stored in them.
- PPIs can be issued as cards or wallets.
- There are **two types of PPIs**,
 - Small PPIs and full-KYC (know your customer) PPIs. Further, small PPIs are categorized as – PPIs up to Rs 10,000 (with cash loading facility) and PPIs up to Rs 10,000 (with no cash loading facility).
- PPIs can be loaded/reloaded by cash, **debit to a bank account, or credit** and debit cards.
 - The cash loading of PPIs is limited to **Rs 50,000 per month subject** to the overall limit of the PPI.

▪ Issuance:

- PPIs can be issued by banks and non-banks **after obtaining approval from the RBI.**
 - As of November 2022, over 58 banks have been permitted to issue and operate prepaid payment instruments.
 - There are **33 non-bank PPI issuers** as of May 2023.

What is DICGC?

▪ About:

- DICGC is a **wholly owned subsidiary of the RBI** and provides deposit insurance.
 - The deposit insurance system **plays an important role in maintaining the stability** of the financial system, particularly by **assuring the small depositors**

of the protection of their deposits in the event of a bank failure.

- The deposit insurance extended by DICGC covers all commercial banks including **Local Area Banks (LABs), Payments Banks (PBs), Small Finance Banks (SFBs), [Regional Rural Banks \(RRBs\)](#) and [co-operative banks](#)**, that are licensed by the RBI.

▪ **Coverage:**

- DICGC insures all deposits such as savings, fixed, current and recurring including accrued interest.
- Each depositor in a bank is **insured up to a maximum of Rs 5 lakh** for both principal and interest amount held by them as on the date of liquidation or failure of a bank.
 - The earlier insurance **cover provided by DICGC was Rs 1 lakh**. However, the limit of insurance cover for depositors in insured banks was raised to Rs 5 lakh in 2020.
- **DICGC does not cover,**
 - 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.

▪ **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 utilised for settlement of the respective claims.
- The General Fund is utilised for meeting the establishment and administrative expenses of the Corporation.

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