



Deposit Guarantee system

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Deposit Guarantee system in my Country

In India the deposit guarantee system is taken care by a institution called **Deposit Insurance and Credit Guarantee Corporation (DICGC)** it is a specialized division of Reserve Bank of India which is under the jurisdiction of Ministry of Finance, Government of India.

It was established on 15 July 1978 under the Deposit Insurance and Credit Guarantee Corporation Act, 1961 for the purpose of providing insurance of deposits and guaranteeing of credit facilities.

DICGC insures all bank deposits, such as saving, fixed, current, recurring deposit for up to the limit of Rs. 500,000 of each depositor in a bank. The limit was increased from 1 lakh to 5 lakh on 4th February 2020.

Which banks are insured by the DICGC?

Commercial Banks : All commercial banks including branches of foreign banks functioning in India, local area banks and regional rural banks are insured by the DICGC.

Cooperative Banks : All State, Central and Primary cooperative banks, also called urban cooperative banks, functioning in States / Union Territories which have amended the local Cooperative Societies Act empowering the Reserve Bank of India (RBI) to order the Registrar of Cooperative Societies of the State / Union Territory to wind up a cooperative bank or to supersede its committee of management and requiring the Registrar not to take any action regarding winding up, amalgamation or reconstruction of a co-operative bank without prior sanction in writing from the RBI are covered under the Deposit Insurance Scheme. At present all co-operative banks are covered by the DICGC.

Primary cooperative societies are not insured by the DICGC.

What does the DICGC insure?

The DICGC insures all deposits such as savings, fixed, current, recurring, etc. deposits 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 bank;

Any amount due on account of and deposit received outside India

Any amount, which has been specifically exempted by the corporation with the previous approval of Reserve Bank of India

What were the norms for deposit insurance earlier?

- Earlier, account holders had to wait for years till the liquidation or restructuring of a distressed lender to get their deposits that are insured against default. Last year, the government raised the insurance amount to Rs 5 lakh from Rs 1 lakh. Prior to that, the DICGC had revised the deposit insurance cover to Rs 1 lakh on May 1, 1993 — raising it from Rs 30,000, which had been the cover from 1980 onward.

Framework

The functions of the subsidiary are governed by the provisions of 'The Deposit Insurance and Credit Guarantee Corporation Act, 1961' (DICGC Act) and 'The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961' framed by the Reserve Bank of India in exercise of the powers conferred by sub-section (3) of Section 50 of the Act.[3]

A maximum of ₹5,00,000 (after the budget of 2020-21) is insured for each user for both principal and interest amount. If the customer has accounts in different branches of the same bank, all of those accounts are insured to a maximum of ₹5,00,000 each.

However, if there are more accounts in same bank, all of those are treated as a single account. The insurance premium is paid by the insured banks itself. This means that the benefit of deposit insurance protection is made available to the depositors or customers of banks free of cost.

Reforms

- The Financial Sector Legislative Reforms Commission (FSLRC) was set up by the Government of India, Ministry of Finance, on 24 March 2011, to review and rewrite the legal-institutional architecture of the Indian financial sector. In its report the FSLRC recommended a regulatory structure consisting of seven agencies including a deposit insurance-cum regulatory agency (which was named as Resolution Corporation). The present DICGC will be subsumed into the Resolution Corporation (RC) which will work across the financial system.
- Drawing on the best international practice, the FSLRC proposal involved a unified resolution corporation that will deal with an array of financial firms such as banks and insurance companies; it will not just be a bank deposit insurance corporation. It will concern itself with all financial firms which make highly intense promises to consumers, such as banks, insurance companies, defined benefit pension funds, and payment systems.

The background features a complex, repeating geometric pattern of teal lines on a dark blue background. The pattern consists of multiple parallel lines that intersect to form a grid of diamond shapes. Some of these lines are straight, while others are curved, creating a dynamic and layered visual effect. The overall aesthetic is modern and technical.

Thank You