

ARE MY DEPOSITS IN BANKS SAFE?

Yes, of course. They are quite safe. Thanks to strong regulation and supervision by Reserve Bank of India and system of internal control of banks, they are well capitalized, well managed and effectively regulated.

Oh, you must be referring to the public sector banks!

No. It applies to all the banks operating in India including private sector, co-operative and even branches of foreign banks in India.

But occasionally there is news about some bank or the other being closed down by RBI. What about my deposits there? I am a small depositor.

Take it easy. Bank resolution is an activity that is carried out by the concerned authorities in the best interest of the depositors. Your deposits up to a particular limit (presently Rs. 5 lakh per depositor) are insured and paid back to you in the event of failure of your bank. Your deposits to the above extent are insured, possibly even without your knowledge.

But who insures my deposits?

Your deposits are insured by Deposit Insurance and Credit Guarantee Corporation (DICGC), the second oldest deposit insurer of the world, quietly taking care of the interest of depositors, particularly small depositors. It is a wholly owned subsidiary of the RBI, created by an Act of Parliament.

That is ok, but how much premium the Corporation would charge?

You do not have to pay any premium. However, the DICGC charges a nominal premium from the banks. Probably you never come to know because, unlike other bank fees, this premium is not charged to you.

If our banking system is robust, why do we need deposit insurance?

Despite a robust banking system in India, there are different layers of safety net for protecting depositors' interest and constantly reinforcing their trust and confidence in the banking system. While most of the countries realised the importance of this safety net in recent years, India had established the deposit insurance system way back in 1961.

Please tell me briefly about your insurance scheme.

- It insures all types of deposits (e.g., Savings, Fixed, Recurring, etc.) with an insured bank but does not include deposits received from a foreign Government, the Central Government, a State Government, or another bank or any deposit received outside India.
- The balance of principal together with interest accrued to each depositor as on the date of liquidation cancellation of license of the bank is fully settled by the Corporation up to a maximum ceiling amount of Rs. 5 lakh.
- For the purpose of the above ceiling, all the deposit accounts of a depositor in the same right and the same capacity maintained across all branches of the failed bank are clubbed. However, deposits maintained with different banks and in different rights/capacities are not clubbed. For example, an account maintained by Mr. 'A' in his personal capacity and another as the partner of a firm, in the same bank is treated as two different accounts for the purpose of deposit insurance and each account is eligible for a separate insurance cover to the extent of Rs. 1 lakh. Similarly, if Mr. 'A' and Mr. 'B' jointly hold two accounts with Mr. 'A' as first holder in one account and Mr. 'B' as the first holder in the second account, these two accounts (i.e., A+B and B+A) will be treated as separate accounts for the purpose of deposit insurance.

Do I have to make a claim within a specified period like in any other insurance claim?

No, in the unlikely event of a bank failure, the official liquidator would make a claim on your behalf and DICGC is bound to pay the valid insurance claims as soon as possible and in any case within 2 months from receipt of claim from the liquidator.

Anything else that I should know?

As a financially literate citizen of India, you must know how safe is your hard earned money so that you manage your risks. You have a right to know that the bank you are putting your money in is appearing in the list of banks insured by DICGC. You must also comply with all the rules stipulated for account opening and furnish complete information to the deposit taking bank so that claim settlement by DICGC, if at all required, is done without delay.

How do I know more about deposit insurance?

You can find more details at DICGC website www.dicgc.org.in or email your specific queries at dicgc@rbi.org.in