

Deposit insurance

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Why in News?

Recently, the failure of the **Punjab and Maharashtra Co-operative (PMC) Bank** reignited the debate on the low level of insurance against the deposits held by customers in Indian banks

- Currently, in case of a bank collapse, a depositor can claim an amount up to a **maximum of ₹ 5 lakh(earlier 1 lakh) per account** as the insurance cover (even if the deposit in their account is greater than ₹ 5 lakh).
- This amount is termed '**deposit insurance**'– the insurance cover against the deposits of an individual in banks.
- **Banks that come under DICGC scheme-** all Commercial Banks + RRBs + cooperative banks (except rural Primary cooperative societies and At present all co-operative banks of Meghalaya, and the Union Territories of Chandigarh, Lakshadweep and Dadra and Nagar Haveli)
- The insurance cover is provided by the **Deposit Insurance and Credit Guarantee Corporation (DICGC)**.
- **Deposit Insurance and Credit Guarantee Corporation**
- DICGC came into existence in 1978 with 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**.
- DICGC charges 12 paise per ₹ 100 of deposits held by a bank. This premium is paid by the banks and is not to be passed on to depositors.