

'DEPOSITS UP TO RS. 5 LAKH IN AILING BANKS TO BE REPAID IN 90 DAYS'

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Quicker relief: Even if there's a moratorium, this (90-day) measure will set in, says Finance Minister. Reuters

Depositors in ailing banks such as PMC Bank may get some relief soon, with the Cabinet on Wednesday clearing amendments to the deposit insurance law to return up to Rs. 5 lakh of savings within 90 days of the RBI's imposition of a moratorium on a bank's operations.

"The Deposit Insurance Credit Guarantee Corporation Bill 2021 has been cleared by the Cabinet today," Finance Minister Nirmala Sitharaman said in a briefing on Wednesday, adding that the Bill would be tabled in Parliament in the ongoing session.

"Accessing depositors' money has been an issue of when it will be allowed and under what conditionalities. Normally, it takes about 8-10 years, after complete liquidation of the bank. Now, what we are saying is even if there's a moratorium, this (90-day) measure will set in," Ms. Sitharaman said.

As per the proposed process, a bank under moratorium would have to collect all the account details and balances and share it with the Deposit Insurance Credit Guarantee Corporation (DICGC) within 45 days. The DICGC would get another 45 days to check the details and process the claims.

'Larger safety net'

"Each depositor's balance of Rs. 5 lakh is guaranteed for both principal and interest," the minister said, adding this would provide a significantly larger safety net for India's bank customers.

"With the deposit insurance increased from Rs. 1 lakh to Rs. 5 lakh, it will cover 98.3% of all deposit accounts and 50.9% of all deposits' value. Just compare this with what prevails outside — only 80% of deposits are insured, with 20%-30% of deposit value globally," she asserted.

The premium paid by banks to the DICGC would also be raised, she added.

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