



ALL INDIA BANK EMPLOYEES' ASSOCIATION

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AIBEA/GS/2025/023

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**Smt. Nirmala Sitharaman
Hon. Minister for Finance
Govt. of India
New Delhi.**

Respected Madam,

Reg: Need to exempt Public Sector Banks and other commercial Banks from the purview of the coverage under Deposit Insurance Corporation.

We learn from the media reports that the RBI and Government are toying with the idea of further increasing the insurance cover for Bank Deposits under the Deposit Insurance Scheme.

In this connection, we wish to draw your kind attention to the following:

In the wake of large-scale collapse and failure of many Banks in the late 1940s, particularly in Bengal and Kerala, the idea of introducing some insurance benefit for the Deposits of the customers was thought about, but it did not take any concrete shape.

However, after the crash of Palai Central Bank Ltd. and Laxmi Bank Ltd., in 1960, the urgency was felt and the Government introduced the Deposit Insurance Corporation Bill, 1961 and the same was approved by the Parliament in December, 1961. Accordingly, the Deposit Insurance Corporation Act came into being with effect from 1-1-1962.

We are very proud to record that this issue was vigorously taken up by **Shri. Prabhat Kar** in Parliament who was the General Secretary of All India Bank Employees Association and who was also a member of Lok Sabha from 1957 to 1967.

In fact, on 7th September, 1961, when the Bill was introduced in the Lok Sabha, Shri. Prabhat Kar made very important observations during his intervention and lengthy, detailed speech.

At that time, the Government proposed was to cover the Bank Deposits upto Rs. 1500 and Shri Prabhat Kar argued that the coverage limit be increased to Rs. 3000 because the common people lost their precious savings when private banks collapsed and closed down in those days.

AIBEA conducted a big campaign on this issue. Finally the Act was passed by Parliament.

To begin with, only commercial banks were covered by the Act. Later, Co-op. banks, and Regional Rural Banks, were also extended for coverage.

To begin with the insurance cover against Bank Deposits were upto Rs. 1,500. In 1968, it was enhanced to Rs. 5000, in 1970 to Rs. 10,000, in 1976 to Rs. 20,000, in 1980 to Rs. 30,000 and in the year 1993, the cover was enhanced to Rs. 1 lac and from April, 2020 to Rs. 5 lacs.

Similarly, the premium payable for the Insurance of the Deposits was at 0.05 paise per Rs. 100 per year and in 1971 it was revised at 0.04 paise, increased to 0.05 paise in 1963, 0.08 paise in 2004 and to 0.10 paise in 2005. Now it is 0.12 paise per Rs. 100 from 1-4-2020

As on 31-3-2024, the following 1857 Banks are covered by the Deposit Insurance Scheme:

Public sector banks	12
Private sector banks	21
Foreign banks	44
Payment Banks	6
Small Finance Banks	12
Regional Rural Banks	43
Local Area Banks	2
Commercial Banks	140
Urban Co-op. Banks	1472
District Co-op. Banks	352
State Apex Co-op. Banks	33
Co-operative Banks	1857
Total number of Banks covered	1997

Premium paid by Banks for the year 2023-24:

By Commercial Banks - Rs. 22,543 crores

By Co-operative Banks - Rs. 1,336 crores

Total premium paid - Rs. 23,879 crores

Claims settled during the year 2023-24 : Rs. 1436 crores

Claims settled for commercial Banks : NIL

Total Deposits : Rs. 218 lac crores

Deposits covered by Insurance : Rs. 94 lac crores (43 %)

DEPOSIT INSURANCE FUND at present : Rs. 198,700 crores

Claims settled since inception : Rs. 5,359 crores

Gap between premium paid and insurance cover: While the entire amount of Deposit is taken as **Assessable Deposit** and premium and collected on the total Deposits, the scheme covers insurance only upto Rs. Five lacs.

Thus Banks are paying premium even for the Deposits which are not insured also.

For example, premium paid for the year 2023-24 was on Rs. 218 lac crore of Deposits but Deposits covered by insurance is only 94 lac crore (43 % of the total Deposits)

Most importantly, in the background of the large number of bank failures, the issue of Depositors losing their money kept in the Banks was taken by the then General Secretary of All India Bank Employees Association Shri Prabhat Kar in the Parliament (He was a member of Lok Sabha at that time).

Consequent to the discussions in the Parliament, the Government agreed and accordingly amended **Section 45** of the Banking Regulations Act, 1947.

In terms of these amendments, the Government and the RBI derived the powers, in public interest, to amalgamate any Bank with another Bank and thus avert closure of Banks and consequent loss of deposits of the customers.

That is why, while hundreds of Banks were getting closed prior to 1960, after this amendment to Banking Regulations Act, **not a single commercial Bank has been liquidated or closed.**

All the ailing Banks were amalgamated with another Bank. Hence question of settling any claim on account of closure of Banks did not arise.

Further, with the nationalisation of major Banks in 1969 and 1980, the public sector banks also enjoy the sovereign guarantee of the Government.

Hence there is no question or possibility or eventuality of any commercial Bank getting closed down or liquidated in view of the above provisions under Banking Regulations Act.

Hence we strongly feel and opine that the Deposits of commercial banks, importantly, the public sector banks, need not be covered by the Deposit Insurance Scheme at all.

Premium paid:

	Commercial Banks	Co-op. Banks	Total Rs.
2020-21	16,341 crores	1,176 crores	17,517 crores
2021-22	18,248 crores	1,243 crores	19,491 crores
2022-23	20,104 crores	1,277 crores	21,381 crores
2023-24	22,543 crores	1,336 crores	23,879 crores

Year after year, public sector banks and all commercial banks are required to pay huge premium to DICGC but the claim ratio is NIL because there is no possibility of any bank being liquidated and forcing the situation of claiming the insured amount.

Because of these reasons, as on 31-3-2024, the **Deposit Insurance Fund** of DICGC is **Rs. 1,98,753 crores**

The claims settled so far since 1962 is only Rs. 5,359 crores and that too for the co-op. banks.

Our submission:

In view of the above we submit to the Government that the Deposits of Public Sector Banks and Commercial Banks which are covered by Section 45 of the Banking Regulations Act be exempted from the coverage of DICGC cover.

Out of 1997 Banks covered by the DICGC, 1857 Banks are Co-operative Banks. Only these Banks are running the risk of facing problems of closure and liquidation and the Deposits of these Banks need to be covered by DICGC.

Even in the case of these Banks, **only to extent of Deposits covered by the insurance cover, premium should be charged** and not on the total assessable Deposits which is much higher.

Commercial Banks paid Rs.22,543 crores of premium to DICGC last year without any possibility of risk to the Deposits.

It is an unwarranted huge payout/expenditure for the Commerical Banks which otherwise would have gone to the profits of the Banks.

Thus,

- 1. In view of Section of 45 of Banking Regulations Act, Public Sector Banks/Commercial Banks are to be exempted from the purview of Deposit Insurance Scheme.**
- 2. For Co-op. Banks, the premium should be charged only on the Deposit amount insured and not on the total assessable Deposits of the Bank.**

We are sure that the Government would keep the above submissions and make suitable announcement in the ensuing Budget.

Thanking you,

Yours sincerely,



**C.H.VENKATACHALAM
GENERAL SECRETARY**