

Government of India
Ministry of Finance

LOK SABHA
STARRED QUESTION NO. * 189
ANSWERED ON 02.12.2019 /Agrahayana 11, 1941(Saka)

Punjab and Maharashtra Cooperative Bank

*189. SHRI G.S. BASAVARAJ:
SHRIMATI RITA BAHUGUNA JOSHI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the recent banking scam relating to the Punjab and Maharashtra Cooperative Bank has prompted the Government to revisit the deposit insurance segment to restore public trust in banking institutions and if so, the details thereof;
- (b) whether among the BRICS nations, India has the lowest deposit insurance cover to per capita income ratio, at 0.9 times at present and if so, the details thereof;
- (c) whether during the financial year 2019, the Deposit Insurance and Credit Guarantee Corporation collected Rs. 12,043 crore as premium on deposit insurance cover and settled only Rs. 37 crore worth of claims, that too on account of a failed cooperative bank and if so, the details thereof; and
- (d) the other steps taken by the Government and Reserve Bank of India to give relief to the retail/common customers of the said bank?

ANSWER

THE MINISTER OF FINANCE
(SMT. NIRMALA SITHARAMAN)

(a) to (d): A Statement is laid on the Table of the House.

Statement referred in reply to parts (a) to (d) of Lok Sabha Starred Question No. *189 to be answered on 02.12.2019 regarding Punjab and Maharashtra Cooperative Bank by SHRI G.S. BASAVARAJ: SHRIMATI RITA BAHUGUNA JOSHI

(a) to (d) The Deposit Insurance & Credit Guarantee Corporation (DICGC), a wholly owned subsidiary of the Reserve Bank of India (RBI), provides insurance for bank deposits upto the limit fixed by the Corporation, in terms of provisions of DICGC Act, 1961. Section 16(1) of the said Act provides that the Corporation may, from time to time, having regard to its financial position and to the interest of the banking system of the country as a whole, raise, with the previous approval of the Central Government, the financial limit of the total amount payable to one depositor in respect of his deposit at all the branches of a bank taken together. Accordingly, the insurance limit in respect of total amount payable to one depositor in a Bank was enhanced by the Corporation from time to time i.e. from the original limit of ₹ 1,500 in 1961 to the current limit of ₹1.00 lakh effective from May 1, 1993.

Currently (as on March 31, 2019) 92% of the deposit accounts in number and 28% of the deposit in value are covered by DICGC. This is higher than the guidance of International Association for Deposit Insurance (IADI) which recommends coverage of 80% in number of accounts and 20-30% in value terms.

The deposit insurance cover to per capita income in India stood at 0.8 as on March 31, 2019 is the lowest when compared to other BRICS Nations excluding South Africa. The details of deposit insurance coverage of BRICS nations are given as under:

(As on December 2018)

Sr No	Country	DI Cover (USD)	Per Capita Income (USD)	DI Cover/PCI
1	Brazil	75,588	8,920	8.5
2	Russia	24,306	11,288	2.2
3	India (March 2019)	1,407	1,828	0.8
4	China	72,690	9,770	7.4
5	South Africa (proposal to establish DIS* is underway)	-	6,374	-

* DIS- Deposit Insurance System.
Source: IADI, World Bank Database and Websites of Respective Deposit Insurance Agencies.

DICGC settles the claims of liquidated banks. The total premium collected by the DICGC during the year 2018-19 is Rs.12040 crore. The details of premium collected from banks are as under:

(₹ in Crore)

Particulars		2018-19
1	Premium Received - Commercial Banks	11,190
2	Premium Received - Co-operative Banks	850
3	Total (Commercial +Co-operative Banks)	12,040

The aggregate claims of ₹40 crore in respect of 15 co-operative banks were settled during 2018-19 including ₹3.05 crore (on account of two co-operative banks) under expeditious claims settlement policy of the Corporation.

RBI has taken the following measures to protect the interest of the depositors of PMC Bank.:

- To enable the bank to improve its position by concentrating on recovery of NPAs /bad loans, RBI imposed All-inclusive Directions on the bank with effect from close of business on September 23, 2019 for a period of six months in terms of which bank is prohibited from making fresh advances. Withdrawals by depositors have been restricted to the notified amount to avoid a run on the bank. These Directions, inter alia, restricted payment of deposits beyond a threshold limit and increasing liabilities to prevent the possibility of preferential payment of deposits and prevent reckless lending in the interregnum etc. The bank is also required to take prior approval of RBI before making any payments/expenditures that have not been allowed under these Directions, thus protecting the pool of deposits of the depositors from wasteful expenditures and allowing only for productive/useful purposes.
- The Reserve Bank of India, after reviewing the bank's liquidity position and its ability to pay its depositors and with a view to mitigating the hardship of the bank's depositors has been progressively enhancing from time to time the limit for such withdrawals, which is presently at Rs.50,000 effective from November 5, 2019. With the latest relaxation, about 78% of the depositors of the bank will be able to withdraw their entire account balance. The withdrawal ceiling is being monitored vis-à-vis the bank's evolving depositor and liquidity profile and further action as deemed fit may be taken in the best interest of depositors of the bank.
- Further, the depositors can also withdraw on hardship grounds (medical expenses and non-medical expenses like educational expenses of self or children, marriage expenses of self, other relatives and for livelihood) an amount upto Rs.1 lakh (with a sub-ceiling of Rs.50,000 for withdrawal on all non-medical grounds). The power to sanction such hardship withdrawals has been delegated to the Administrator of the bank for speedier resolution of such cases.

Meanwhile, based on a complaint filed by the bank against its officials and borrowers associated with the fraud/financial irregularities in the bank and manipulation of its books of accounts, the Economic Offences Wing, Maharashtra Police has started its investigations into the matter. Forensic Auditors have been appointed to look into the related transactions.
