

# DICGC : Functions and Working



## Introduction -

- DICGC - Deposit Insurance and Credit Guarantee Corporation
- DICGC is a statutory Body.
- Established – 15 July 1978
- It is a subsidiary of RBI since 1962.
- Its control authority is governed by RBI.
- It was established under DICGC Act , 1961
- But it was introduced in India in 1962.
- In 1962 , India was the 2nd Country to Introduced with this Scheme.
- First Country who introduced DICGC is USA in 1933.
- Its prime purpose is to provide insurance of the deposited Money in all banks.
- It provide insurance facility for Saving deposit , Fixed deposit , Recurring deposit up to a maximum limit of 1 Lakh for each separate deposits in a bank.
- The deposits with Regional Rural Bank (RRB) are issued by DICGC.
- In 19th & 20th Century bank failure was a common phenomenon.
- In such case bank needs to Safe Guard the Deposited Money by their customers.
- After RBI establishment in 1935 this issue become Highlighted after the failure of Travancore Nation & Quilon Bank in 1938 , the Largest bank in this region.
- After failure of Travancore Nation & Quilon Bank , Bank failure issue revived again when Banking crisis happened in West Bengal in 1948.
- After then RBI take the issue in Banking regulation Act 1949 & Safeguard the deposited money by Insurance scheme.

- It was, however, felt that the measures were wavering till the Banking Companies Act, 1949 came into force and comprehensive arrangements were made for the supervision and inspection of banks by the Reserve Bank.
- In 1960 when Laxmi Bank and the failure of the Palai Central Bank catalyzed the introduction of deposit insurance in India.

### **The Deposit Insurance Corporation (DIC) Bill was:**

- Introduced in the Parliament on August 21, 1961.
- Received the assent of the President on December 7, 1961.
- The Deposit Insurance Corporation commenced functioning on January 1, 1962.

### **Origin of DICGC –**

- After establishment of DICGC 287 banks were registered with it as insured banks.
- By the end of 1967, this number was gradually decreased to 100, (As a result of the Reserve Bank of India's (RBIs) policy of the reconstruction and uniting of small and financially weak banks so as to make the banking sector more practicable & feasible.)
- In 1968, the DICGC Act 1962 was re-amended to extend deposit insurance to all co-operative banks in India.
- In 1968 there were more than 1000 cooperative banks as against the 83 commercial banks. As a result, the DICGC had to expand its operations very substantially.
- 1971 The Credit Guarantee Corporation of India Ltd. (CGCI) was established. (The establishment of the Credit Guarantee Corporation was to ensure that the credit needs of the neglected sectors and weaker sections were met. The essential concern was to persuade banks to make available credit to not so creditworthy clients).

### **Bank covered Insurance under DICGC –**

- All Scheduled commercial Banks & Cooperative Banks
- It also include foreign banks which is running in India also be covered under DICGC.
- It also include Indian Banks which is functioning outside India will also be covered under this Act.
- All Regional Rural Bank which is functioning in India also be covered under DICGC.
- There is a few exception which is listed below –
- Primary Agricultural Credit Society.

- Cooperative banks from Meghalaya , Chandigarh , Lakshadweep & Dadra & Nagar Haveli.

### Types of Deposit covered under DICGC –

- Saving Bank Deposits
- Fixed deposits
- Recurring deposits
- It also include some exception which is listed below –
- It won't accept Deposits for Foreign Governments
- The deposits by Indian Government & State Govt. also not accepted under this Act.

EDUCATERERINDIA.