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11,715.80 53.95



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Market Watch

PMC impact? Your deposits get 5 times more cover

BY GAYATHRI NAYAK, ET BUREAU | FEB 02, 2020, 08.44 AM IST

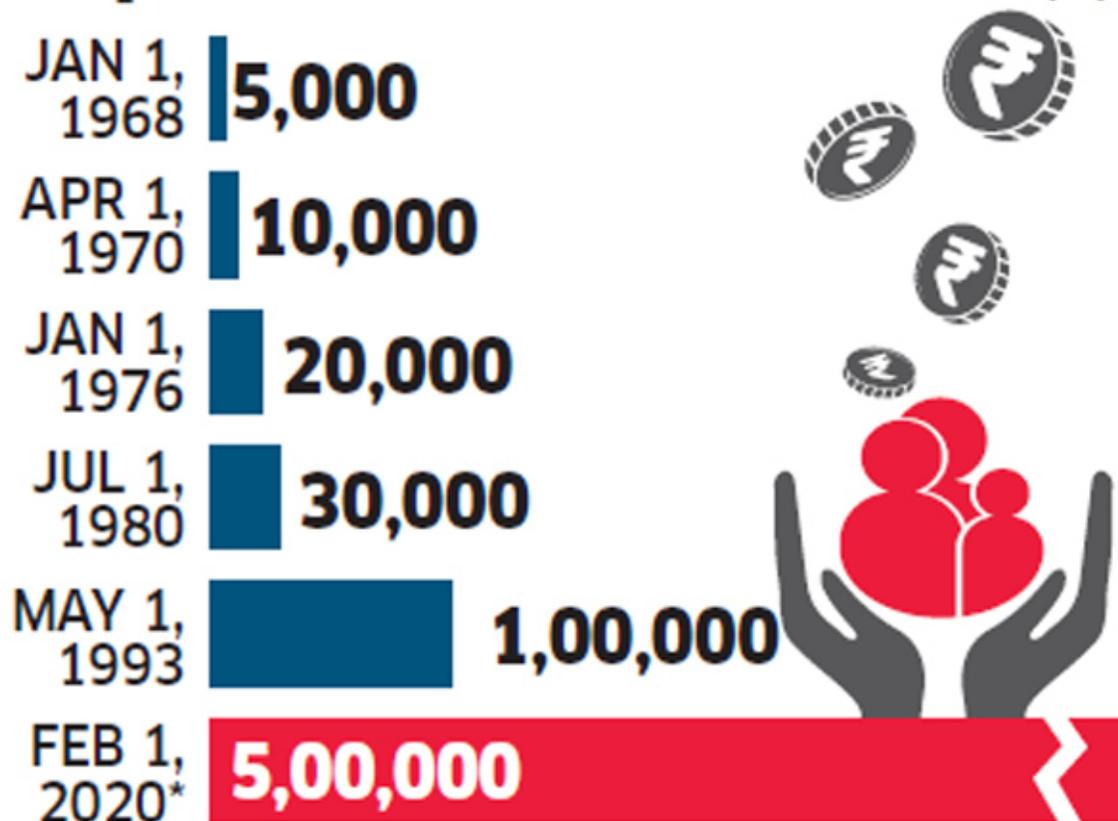
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MUMBAI: The government raised the insurance cover for bank depositors five-fold, providing comfort to millions of citizens who still keep their nest egg with the [banking](#) system. The move will also help calm depositors who have been disturbed by recent incidents of collapsing financial institutions. The increase that comes after nearly 27 years is estimated to cover nearly 98% of the total number of depositors in the Indian banking system, which includes co-operative banks.

Big Change:[The end of Five-Year Plans: All you need to know](#)

“The [Deposit Insurance](#) and [Credit Guarantee Corporation](#) has been permitted to increase deposit insurance coverage for a depositor, which is now Rs 1 lakh, to Rs 5 lakh per depositor,” said finance minister in her budget speech. “I wish to inform this august house that the robust mechanism is in place to monitor the health of all scheduled commercial banks and that depositors’ money is safe.” FM’s move comes after the recent blow-up of Punjab and Maharashtra Co-operative Bank that led to lakhs of people losing their money and leading to a run on many smaller banks.

Deposit Insurance Limits (₹)



Source: DICGC

*Proposed

The rise in the limit may not make a case for a higher insurance premium by banks, as a majority of the deposits would never reach that stage. “At any point in time, on a conservative estimate, 85% of the banks will never fail,” said Satish Marathe, founder of Sahakar Bharati, an industry body for the cooperative sector. The insurance premium is priced at Rs 10 per Rs 10,000 of deposit, which covers 92% of the accounts and about 28% of all deposits in terms of value.

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