

REPORT ON THE WORKING OF THE DEPOSIT INSURANCE & CREDIT GUARANTEE CORPORATION FOR THE YEAR ENDED 31ST MARCH 2000

In terms of Section 32(1) of the Deposit Insurance & Credit Guarantee Corporation Act, 1961, the Board of Directors present herewith the 38th Annual Report of the Corporation for the year ended 31st March 2000.

DEPOSIT INSURANCE

1.1 The ceiling amount of insurance cover for deposits with an insured bank, viz., Rs.1,00,000 per depositor per bank in the same right and capacity and the insurance premium @ 5 paise per Rs.100 per annum, have remained unchanged during the year. The total number of insured banks during the period ended 31st March 2000 rose to 2676 from 2583 as at the year ended 31st March 1999. Further, fully protected deposit accounts as at the end of June 1999 numbering 4302.11 lakh constituted 97.39 per cent of the total deposit accounts. The insured deposits at Rs. 498558.33 crore represented 70.81 per cent of the total assessable deposits of Rs. 704068.36 crore. The insurance premium received during the year amounted to Rs.471.92 crore as against Rs.370.69 crore received during the previous year. During the year, the Corporation settled claims received from five co-operative banks for an aggregate amount of Rs.15.48 crore and has made a provision of Rs.639.29 crore towards contingent liability of claims in respect of 2 commercial bank and 33 co-operative banks. The aggregate amount of claims paid and provided for in respect of 25 commercial banks and 40 co-operative banks, since the inception of the scheme amounted to Rs.224.57 crore and repayments received out of the recoveries etc., amounted to Rs.69.01 crore. The recoveries account for 30.73 per cent of the total claims paid.

1.2 During the year, 103 Co-operative banks were registered as insured banks and 8 Co-operative banks and 2 Commercial banks were deregistered, the details of which are furnished in Annexure II-A. Year-wise and category-wise particulars showing the number of banks registered by the Corporation since the inception of the Scheme in 1962 are furnished in Annexures I and IA.

1.3 The Deposit Insurance Scheme at present covers all commercial banks including regional rural banks and co-operative banks in 22 States and two Union Territories (Annexure II). The matter regarding extension of the Scheme to co-operative banks in the remaining three States viz., Meghalaya, Mizoram and Nagaland and the Union Territory of Lakshadweep, continues to be pending with the concerned Governments for carrying out the necessary amendments to their Co-operative Societies Acts. Extension of the Scheme to the State of Arunachal Pradesh and two Union Territories, viz., Chandigarh and Andaman and Nicobar Islands is under active consideration of the Corporation as necessary amendments to the Co-operative Societies Act have been enacted by the respective State Governments/Union Territories during the year.

1.4 The number of accounts and the amount of deposits insured with the Corporation as also the extent of protection afforded to depositors at the end of June 1998 and June 1999 were as under :

Particulars (Accounts in lakh & amounts in crore)	(Rupees in crore)	
	June 1998	June 1999
1. Total No. of accounts	4,642	4,417
2. Fully protected accounts	4,544	4,302
3. Percentage of 2 to 1	97.9	97.39
4. Assessable deposits	6,09,962	7,04,068
5. Insured deposits	4,39,609	4,98,558
6. Percentage of 5 to 4	72.07	70.81

The year wise details for the last ten years are furnished in Annexures III and IV.

The amount of deposits in fully protected accounts and partially protected accounts formed 54.45 per cent and 45.55 per cent respectively of the total assessable deposits at the end of June 1999.

1.5 The category-wise break-up of the premium (including interest on overdue premium) collected from insured banks during 1998-99 and 1999-2000 is furnished below :

Category of banks	(Rupees in crore)	
	Premium	Received
	1998-99	1999-2000
i) Commercial Banks & Regional Rural Banks	326.90	413.32
ii) Co-operative Banks	43.79	58.60
Total	370.69	471.92

1.6 During the year 1999-2000, the Corporation settled aggregate claims for Rs.15.48 crore in respect of 5 co-operative banks as detailed below :

(Rupees in crore)			
Sr. No.	Name of the Bank	No. of Depositors	Amount of Claims
1.	Vinkar Sahakari Bank Ltd., Mumbai	11,213	1.81
2.	Trimoori Sahakari Bank Ltd., Pune	12,269	2.85
3.	Awami Mercantile Co-op. Bank Ltd., Mumbai	9,608	4.62
4.	Ravikiran Urban Co-op. Bank Ltd., Mumbai	10,578	6.19
5.	Dadar Janata Sahakari Bank Ltd., (Mumbai) (Supplementary claim)	4	0.01
Total		43,672	15.48

Further, a provision of Rs.639.29 crore has been made towards the likely claim liabilities in respect of depositors of 35 banks which are under amalgamation / liquidation or their licence to carry on banking business has been cancelled by Reserve Bank of India.

1.7 As on 31st March 2000, the aggregate amount (cumulative) of claims paid and provided for, since the inception of the Scheme, in respect of 25 commercial banks remained unchanged at Rs.172.92 crore. Repayments received from liquidators/ amalgamated banks upto March 2000 aggregated

Rs.67.65 crores (including Rs.1.10 crore received during the year). During the year, a sum of Rs. 6,000 due from the custodians of 2 commercial banks viz., Habib Bank Ltd. and National Bank of Pakistan was written off, after obtaining necessary approval from the competent authority.

The total amount of claims paid / provided for in respect of 40 co-operative banks, since the inception of the Scheme, till 31st March 2000 (including Rs. 15.48 crore paid during the year) was Rs. 51.65 crore. Repayments received from the liquidators/amalgamated banks upto 31st March 2000 aggregated Rs.1.36 crore (including Rs.0.12 crore received during the year). During the year, a sum of Rs. 6,000 due from the liquidator of Aarey Milk Colony Co-operative Bank was written off after obtaining necessary approval from the competent authority. The particulars of banks in respect of which claims have been paid, written off, provided for and repayments received till 31st March 2000 are furnished in Annexure V.

1.8 During the year, the Reserve Bank of India had constituted an Advisory Group under the Chairmanship of R.B.I. Deputy Governor and Chairman of D.I.C.G.C., Shri Jagdish Capoor, and also a Working Group to go into the reforms in Deposit Insurance in India. The Advisory Group submitted its recommendations to the Reserve Bank of India in October 1999 and most of the recommendations have been accepted for implementation. As the implementation of some of the recommendations requires an amendment to the DICGC Act, 1961 the Corporation has decided, in consultation with the Reserve Bank, to replace the existing enactment with a new enactment. The task of drawing up the outline of the new law has been taken on hand and would be forwarded to the Government shortly for their consideration.

CREDIT GUARANTEE

2.1 The guaranteed advances under the Corporation's Credit Guarantee Schemes in operation had come down from Rs.6054.64 crore as at the end of March 1998 to Rs.316.41 crore as at the end of March 1999. The claims received by the Corporation under the Schemes during the year increased by 17.06 per cent in terms of number and decreased by 2.66 per cent in terms of amount as compared to the last year. The claims disposed of by the Corporation during the year increased by 7.42 per cent in terms of number and decreased by 5.66 per cent in terms of

amount, when compared to the last year. The details regarding number and amount of claims received and disposed of during the year under report and the previous year are furnished below :

2.1 (Amount in crore of Rupees)

	During 1998-1999		During 1999-2000		Percentage increase (+) decrease (-)	
	Number	Amount	Number	Amount	Number	Amount
I. Claims received :						
i) Small Borrowers	7,57,245	217.76	8,89,208	219.19	(+) 17.43	(+) 0.66
ii) SSIs	13,965	34.43	13,575	26.30	(-) 2.79	(-) 23.61
Total :	7,71,210	252.19	9,02,783	245.49	(+) 17.06	(-) 2.66
II. Claims settled :						
i) Small Borrowers	42,45,233	1,188.39	45,35,934	1,194.58	(+) 6.85	(+) 0.52
ii) SSIs	43,620	225.14	71,086	139.00	(+) 62.96	(-) 38.26
Total	42,88,853	1,413.53	46,07,020	1,333.58	(+) 7.42	(-) 5.66

2.2 The details of guarantee fees received, guarantee claims received and claims paid during the period 1991-92 to 1999-2000 are as under :

2.2 (Amount in crore of Rupees)

Year	Guarantee fee receipts	Guarantee claims receipts	Claims paid	Gap (2) - (3)	Gap (2) - (4)
1	2	3	4	5	6
1991-92	565.88	627.23	462.29	(-) 61.35	(+) 103.59
1992-93	702.78	1143.27	633.55	(-) 440.49	(+) 69.23
1993-94	846.09	1490.76	889.99	(-) 644.67	(-) 43.90
1994-95	829.13	1726.82	1179.01	(-) 897.69	(-) 349.88
1995-96	704.64	2365.23	1042.27	(-) 1660.59	(-) 337.63
1996-97	564.02	2112.37	378.64	(-) 1548.35	(+) 185.38
1997-98	164.91	497.26	371.40	(-) 332.35	(-) 206.49
1998-99	123.23	252.19	601.91	(-) 128.96	(-) 478.68
1999-2000	21.99	245.49	403.13	(-) 223.50	(-) 381.14

It may be seen from the above that the guarantee fee receipts during the year have substantially gone down as compared to the previous year, due to the two public sector banks which were continuing under the schemes also opting out of them.

2.3 The scheme-wise position of guarantee fee receipts and guarantee claims receipts for the year 1999-2000 are given next column :

2.3 (Amount in crore of Rupees)

Scheme	Guarantee claims receipts	Guarantee fee receipts	Gap
i) Small Loans Guarantee Scheme, 1971	219.19	11.02	(-) 208.17
ii) Small Loans (Co-op. Banks) Guarantee Scheme, 1984	-	@	-
iii) Small Loans (SSI) Guarantee Scheme, 1981	26.30	10.97	(-) 15.33
Total	245.49	21.99	(-) 223.50

@ : negligible

The scheme-wise break-up of guarantee fee received since 1981 is given in Annexure XIII.

2.4 It was mentioned in the earlier reports that certain changes were made in the terms and conditions of the Credit Guarantee Schemes in April 1995 on the basis of the recommendations of an Expert Study Group appointed by the Corporation. The most important change was that claims could be preferred with the Corporation only after the loans have been written off. Consequently, a number of banks started opting out of the Schemes from 1st April 1995. As on 31st March 2000, the number of participating banks under the Small Loans Guarantee Scheme, 1971 and the Small Loans (SSI) Guarantee Scheme, 1981 were 2 and 17 respectively.

2.5 As a result of reduction in the credit guarantee business of the Corporation, the staff strength of the Corporation at its head office and four regional offices was reduced.

2.9

(Amount in crore of Rupees)

Category of borrowers	Guaranteed advances as on 31st March 1999	Amount of claims received		
		Cumulative upto March 1999	During 1999-2000	Cumulative upto March 2000 (3+4)
1	2	3	4	5
Farmers and Agriculturists	175.39	4532.73	98.44	4631.17
Other priority sector advances	99.74	5078.75	118.14	5196.89
Residual category of borrowers under DRI Scheme and credit facilities for consumption and for purchase or construction of houses or tenements	2.47	190.43	2.61	193.04
Total	277.60	9801.91	219.19	10021.10

2.6 The Inspection Department of the Reserve Bank of India conducted another Staffing Inspection of the Corporation inclusive of its branches at Calcutta, New Delhi, Chennai and Nagpur during 1999-2000; at the instance of the Head Office of the Corporation. The report was received by the Corporation in May 2000. As most of the participating credit institutions have opted out of the Credit Guarantee Schemes, the Inspection Department has recommended reduction of a number of posts in various cadres at the Head Office as well as at its four branches. The Corporation has taken action on the recommendations.

2.7 It was mentioned in the last year's report that the Corporation had conducted inspection in the year 1997-98 of certain banks. On the basis of the findings of the inspection, a sum of Rs.12.19 crore was recovered from banks towards shortfall in the payment of guarantee fee and non-sharing/delayed sharing of recoveries together with penal interest. On the basis of further

inspection solely with a view to seeing whether the banks had shared with the Corporation their recoveries in claim paid accounts, within the prescribed time limit, a further sum of Rs. 15.15 crore on account of non-sharing/delayed sharing of recoveries together with applicable penal interest is due to be received by the Corporation. This is being recovered.

2.8 The Corporation operates two Credit Guarantee Schemes viz., Small Loans Guarantee Scheme, 1971 and Small Loans (Co-operative Banks) Guarantee Scheme, 1984 for small borrowers.

2.9 The overall performance of small borrowers' Credit Guarantee Schemes is given below:

Small Loans Guarantee Scheme, 1971

2.10 The Scheme provides guarantee cover for advances granted for agriculture and allied activities, transport, retail trade, small business etc., by commercial banks including regional rural banks.

2.11 During the year, 2 commercial banks and 2 regional rural banks were allowed by the Corporation to opt out of the Scheme (Annexure VII). Consequently, as on 31st March 2000, only 2 regional rural banks continue under the scheme as against 6 as on 31st March 1999 (Annexure VI).

2.12 Total advances guaranteed under the Scheme were Rs. 277.61 crore as on 31st March 1999 as against Rs. 3241.31 crore as on 31st March 1998. This substantial decline was on account of opting out of the scheme by four banks including two public sector banks. The year-wise and sector-wise break-up of the guaranteed advances is given in Annexure VIII.



2.13 During the year, the Corporation received 8,89,208 claims for Rs. 219.19 crore as against 7,57,245 claims for Rs. 217.76 crore received during the previous year registering an increase of 17.43 per cent in the number of claims and 0.66 per cent in amount over the previous year. The sector-wise break-up of claims received under the Schemes for small borrowers is given in Annexure X.

2.14 The Corporation disposed of 45,35,934 claims for Rs. 1,194.58 crore as against 42,45,233 claims for Rs. 1188.39 crore during the previous year. Further, the processing of 98,704 claims for Rs. 23.09 crore has been completed but payment in respect of them has been held up for various reasons. The number of claims to be processed / under clarification as on 31st March 2000 was 5,05,540 involving a sum of Rs. 126.32 crore (Annexure IX).

2.15 Recoveries received during the year by virtue of subrogation rights aggregated Rs. 184.82 crore as against Rs. 128.69 crore received during the previous year. The cumulative amount of recoveries received since the inception of the Scheme aggregated Rs. 1790.11 crore forming 25.96 per cent of claims paid at Rs. 6895.33 crore.

Small Loans (Co-operative Banks) Guarantee Scheme, 1984

2.16 The Scheme covers priority sector advances granted by primary urban co-operative banks for non-agricultural purposes.

2.17 Only one Co-operative bank is participating as on 31st March 2000 (Annexure VI). The guaranteed advances as on 31st March 1999 aggregated Rs. 0.01 crore as against Rs. 0.11 crore as on 31st March 1998. The Corporation had not received any claims during the year under the Scheme.

CREDIT GUARANTEE SCHEME FOR SMALL SCALE INDUSTRIES

Government's Credit Guarantee Scheme (since cancelled)

2.18 The Corporation continues, as an agent of the Government of India, to pursue with the credit institutions for recoveries in claim paid accounts under the erstwhile Government Scheme. Out of the total amount of Rs. 0.97 crore representing the recoveries received in claim paid accounts during

the year 1999-2000 under the Scheme, the Corporation has remitted a sum of Rs. 0.87 crore to the Government after retaining an amount of Rs. 0.10 crore towards administrative expenditure incurred by it.

Small Loans (SSI) Guarantee Scheme, 1981

2.19 As on 31st March 2000, there were 17 credit institutions (32 as on 31st March 1999) participating in the above Scheme comprising 2 regional rural banks and 15 co-operative banks (Annexure VI). During the year, 15 credit institutions had gone out of the preview of the Scheme either on account of their decision to opt out of the Scheme or on account of their removal by the Corporation due to non-payment of guarantee fee (Annexure VII).

2.20 The guaranteed advances to SSI sector coming under the priority sector as defined by RBI amounted to Rs. 38.80 crore as on 31st March 1999 as against Rs. 2813.33 crore as on 31st March 1998.

2.21 The Corporation received 13,575 claims for Rs. 26.30 crore during the year as against 13,965 claims for Rs. 34.43 crore during the previous year. 71,086 claims for Rs. 139.00 crore were disposed of as against 43,620 claims for Rs. 225.14 crore during the year 1998-99. The details of claims received and disposed of year-wise, from 1st April 1981 onwards are given in Annexure XI. (Amount-wise break-up of claims settled during the year is given in Annexure XII). As on 31st March 2000, 16,411 claims for Rs. 43.85 crore were pending.

2.22 Recoveries received under the Scheme during the year by virtue of the Corporation's right of subrogation, amounted to Rs. 17.79 crore compared to Rs. 17.50 crore received during the previous year. Cumulative recoveries since 1981 aggregated Rs. 225.50 crore as on 31st March 2000 forming 22.61 per cent of the total amount of claims paid at Rs. 997.22 crore.

ACCOUNTS

Balance Sheets and Revenue Accounts

3.1 Revenue Accounts for the year ended 31st March 2000 and Balance Sheets as at 31st March 2000, showing the Corporation's three funds viz., General Fund, Deposit Insurance Fund and Credit Guarantee Fund together with the Auditor's Report are attached.



3.2 The Corporation has adopted, from 1987, the system of valuation of the liabilities of Deposit Insurance and Credit Guarantee Funds on an actuarial basis. The revenue surpluses in the Funds during the year amounted to Rs.1759.47 crore, after providing for pending claims etc., as against revenue surpluses of Rs.1195.77 crore for the year ended 31st March 1999. Deposit Insurance Fund (DIF) has shown a revenue surplus of Rs.198.04 crore during the year as against Rs.406.31 crore during the year ended 31st March 1999, after making all necessary provisions to the satisfaction of auditors and also taking into account the actuarial estimates of incremental liability. The Credit Guarantee Fund (CGF) has shown a revenue surplus of Rs. 1561.43 crore, as against a surplus of Rs. 789.47 crore during the year 1998-99, after providing for pending claims etc., and also taking into account the actuarial estimates of incremental liability.

3.3 The General Fund has shown a deficit of Rs.3.49 crore as against a deficit of Rs 4.85 crore during the last year. The deficit of Rs.3.49 crore has been adjusted against the surplus in the Credit Guarantee Fund after securing the approval of the Board.

BUDGETARY CONTROL

4 The Corporation has evolved various returns under its Management Information System (MIS) and exercises budgetary control over revenue and expenditure under its three Funds viz., Deposit Insurance Fund, Credit Guarantee Fund and General Fund.

INVESTMENTS

5 In accordance with the provisions of the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the amounts which were not required for the time being were invested in Central Government Securities, including Treasury Bills. The details of investments as on 31st March 2000 are furnished in Annexure XIV. The depreciation in the investments of the three Funds has been fully provided for to the satisfaction of the Auditors.

GENERAL

Auditors

6 In terms of Section 29(1) of the Deposit Insurance and Credit Guarantee Corporation Act,

1961, M/s Jain Chowdhary & Co., Chartered Accountants, Mumbai were appointed, (with the approval of the Reserve Bank of India), as Auditors of the Corporation for the year ended 31st March 2000.

PROGRESSIVE USE OF HINDI

7 The Corporation ensures compliance of Section 3(3) of the Official Languages Implementation Act. The Head Office of the Corporation has been notified under Rule 10(4) of the Official Languages Rules, 1976. The Official Languages implementation Committee meets regularly once a quarter to monitor as well as to facilitate the use of Hindi in the day to day functioning of the Corporation.

TRAINING AND DEPUTATION

8 The Corporation has been deputing its Officers to various training institutions of the Reserve Bank of India to deliver talks on the Schemes of the Corporation as and when such requests are received from the training establishments. The employees of the Corporation were also deputed to the training programmes conducted in the training colleges of Reserve Bank of India. During the year under report, 46 employees including 18 Officers, were deputed for training.

FINANCIAL AUDIT BY RBI

9 The Regional Audit Cell of Reserve Bank of India at Mumbai carried out internal audit of the Corporation's Head Office for the half year ended 30th September 1999. The internal audits of the branches have also been completed for the half year ended 30th September 1999 by the respective audit cells of the Reserve Bank of India.

COMPUTERS- Y2K COMPLIANCE

10.1 The Corporation completed the processing of claims, received in the formats whose application software packages were not Y2K compliant, before the target date of December 1999. As Regards the software package for processing of claims received in NI-17 format, which required Y2K compliance, there was smooth rollover to year 2000 and no Y2K problem was encountered. The standalone PCs at the Regional Offices were also free from Y2K problem.



10.2 A LAN system has been installed in Deposit Insurance Division which will help in speedy processing of premia and returns received from banks. Necessary software packages have been loaded and these will help in generating various outputs including list of defaulting banks, category-wise, debit/credit advices to banks simultaneously with processing of returns etc. The computerisation of Accounts and Administration Division is being done.

MANAGEMENT

11 Shri G.P. Muniappan, Executive Director, Reserve Bank of India was nominated as a Director in terms of Section 6(1)(b) of DICGC Act vice Shri B.S. Sharma, Executive Director, R.B.I with effect from 27.12.1999. During the year, Shri Rashid Jilani, Director appointed under Section 6(1)(e) of DICGC Act, 1961 retired as he ceased to be the Chairman and Managing Director, Punjab National Bank with effect from 7th March 2000. There are nine vacancies

in the Board and these have not been filled till date as recommendations made by the Corporation to the Central Government are still pending with them.

12 Three meetings of the Board of Directors of the Corporation were held during the year ended 31st March 2000.

13. The Board appreciates the efforts put in by the staff of the Corporation for maintaining the operational efficiency.

DEPOSIT INSURANCE
& CREDIT GUARANTEE
CORPORATION
MUMBAI - 400 001.

Dated: 26 June 2000

For and on behalf of
the
Board of Directors

(JAGDISH CAPOOR)
Chairman

