

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4007
ANSWERED ON:31.07.2009
SAFEGUARDING THE INTEREST OF DEPOSITORS
Sukur Shri Jadhav Baliram

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government is considering to promulgate any law to safeguard the interest of the depositors in financial establishments;and

(b) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): The Banking Regulation Act enables Reserve Bank to control advances made by banking companies, to give direction, appoint additional directors, etc., for the protection of interest of depositors. To further strengthen the regulatory powers, the Central Government has been empowered to acquire undertaking of a banking company in India if it is satisfied that the banking company L1s being managed in a manner detrimental to the interests of its depositors`. Further, RBI can make an application to the High Court for winding up of a bank in India if, in the opinion of the RBI, inter alia, ` the continuance of the banking company is prejudicial to the interest of its depositors`.

The Deposit Insurance and Credit Guarantee Corporation Act, 1961 grants protection to depositors of all commercial banks (including the Regional Rural Banks and Co-operative banks) which are registered as insured banks. Each depositor of insured bank which goes into liquidation is entitled to receive from the Corporation, an amount of Rs. 1,00,000/- (Rupees one lakh only),

Provisions are available in the Reserve Bank of India (RBI) Act, 1934 to protect the interest of small depositors in Non-Banking Financial Companies and unincorporated bodies,

Further, on pursuance by the RBI, 14 States and 01 Union Territory have enacted legislation on the lines of Tamil Nadu Protection of Interest of Depositors (in Financial Establishments) Act , 1997, which contains stiff penal provisions for promoters of financial establishments defaulting in re-payment of deposits and interest.

The Government is not considering to promulgate any other law in this regard.