

REPORT ON THE WORKING OF THE DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION FOR THE YEAR ENDED 31ST MARCH 2004

In terms of Section 32 (1) of the Deposit Insurance and Credit Guarantee Corporation Act, 1961, the Board of Directors present herewith the 42nd Annual Report of the Corporation for the year ended 31st March 2004

DEPOSIT INSURANCE

1.1 General

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. It has however been decided to enhance the deposit insurance premium in two phases from 5 paise per Rs. 100 of assessable deposits to 8 paise per Rs. 100 of assessable deposits from the financial 2004 – 05 and 10 paise per Rs. 100 of assessable deposits from the financial year 2005 – 06. During the year 9 new banks were registered, while 43 insured banks were de-registered. The total number of insured banks was 2595 as on 31st March 2004. Fully protected deposit accounts as at the end of June 2003 numbering **5,189 lakh** constituted **95.4** per cent of the total deposit accounts of **5,440 lakh**. The insured deposits at **Rs.8,70,940** crore formed **66.1** per cent of the total assessable deposits of **Rs.13,18,268** crore. As at the end of June 2002, the fully protected deposit accounts constituted **96.3** per cent of the total deposit accounts and the insured deposits formed **68.3** per cent of the total assessable deposits. The details are furnished in **Annexures III and IV**. The insurance premium received during the year amounted to **Rs.770.63** crore as against **Rs. 706.82** crore received during the previous year. During the year, the Corporation settled claims received from 30 co-operative banks for an

aggregate amount of **Rs.181.26** crore and has made a provision of **Rs. 1236.25** crore towards contingent liability of claims in respect of 1 commercial bank and 79 co-operative banks. The aggregate amount of claims paid and provided for in respect of 27 commercial banks and 99 co-operative banks, since the inception of the Scheme amounted to **Rs. 1,044.32** crore and repayment received out of the recoveries etc., amounted to **Rs.92.74** crore. The recoveries accounted for 8.88 per cent of the total claims paid.

1.2 Registration/De-registration of Insured Banks

During the year, 1 Commercial Bank, 1 Local Area Bank and 7 Co-operative Banks were registered as insured banks and 4 foreign banks and 39 co-operative banks were de-registered, 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 inception of the scheme in 1962 are furnished in **Annexures I and I-A**.

1.3 Extension of Scheme

(A). The deposit insurance scheme at present covers commercial banks including local area banks and regional rural banks in all the States & Union Territories. While the deposit insurance scheme also covers co-operative banks in 24 States and 3 Union Territories (**Annexure -II**), the position of their coverage in the 4 States viz., **Meghalaya, Mizoram, Nagaland and Arunachal Pradesh**, 3 Union Territories viz., **Lakshadweep, Chandigarh, and Dadra & Nagar Haveli** and the state of **Chhattisgarh**, is as under:

The matter regarding the extension of the Scheme to the co-operative banks in the state of **Nagaland** and two Union Territories viz.,

Lakshadweep and **Dadra & Nagar Haveli** 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 States of **Arunachal Pradesh, Meghalaya** and **Mizoram** and one Union Territory viz., **Chandigarh** is under active consideration of the Corporation as necessary amendments to the Co-operative Societies Act have been enacted by the respective State Government / Union Territory. The position in this regard is as under: -

- (i) **Arunachal Pradesh:** The Government of Arunachal Pradesh has issued a corrigendum amending the Arunachal Pradesh Co-op Societies Act, 1978 suitably. Reserve Bank of India has confirmed that the said corrigendum is sufficient to consider co-operative banks in the State of Arunachal Pradesh as "eligible co-operative bank". Accordingly, the Corporation is in the process of extending the Deposit Insurance scheme to the co-operative banks in the state of Arunachal Pradesh with effect from 1st June 2004.
- (ii) **Mizoram:** As the amendments made to the state Co-operative Societies Act has not been found in conformity with Section 2 (gg) of the DICGC Act 1961, RBI, Guwhati has been advised to take up the matter with the State Government authorities.
- (iii) **Meghalaya:** The amendments made to Co-operative Societies Act of the state is being scrutinized by Reserve Bank of India to verify whether the amendments are in conformity with the Section 2 (gg) of DICGC Act, 1961.
- (iv) **Chandigarh:** Government of India, Legislative Department, Chandigarh Administration have been advised to confirm

that a notification has been issued by the Central Government giving effect to Section 2 of Punjab Co-op. Societies (Amendment) Act, 1981 & 1994 validly adopting the said Act for the Union Territory of Chandigarh. The reply from the Government is awaited. The matter is being pursued.

- (v) **Chhattisgarh:** The State Government has amended the Chhattisgarh Co-operative Societies (Amendment) Act, 2001 to comply with the requirement of section 2(gg) of the DICGC Act, 1961. However, the Legal Department has opined that the amendment made in the Act is not in line with the requirements of Section 2 (gg) of the DICGC Act, 1961. Due to the above-mentioned deficiency in Section 16 (c) of the Chhattisgarh Co-operative Societies (Amendment) Act, 2001, the co-operative banks in the State do not meet the requirements of Section (gg) of DICGC Act, 1961. The State Government authorities have been advised accordingly. The Chief Secretary, Government of Chhattisgarh has been requested to bestow his personal attention in the matter and advise whether the required amendment has been carried out.

B. Extension of Deposit Insurance to the Union Territory of Andaman & Nicobar Islands:

Government of India, Ministry of Finance, (Banking Division) issued Gazette notification No. 148 dated September 26, 2003 fixing 1st October 2003 as the date on which the deposit insurance scheme has been extended to the Union Territory of Andaman and Nicobar Islands. Accordingly, the Andaman and Nicobar State Co-operative Bank Ltd functioning in the Union Territory has been registered as an insured bank.

C. Co-operative Banks registered under the Multi-State Co-operative Societies Act 2002; Karnataka Souhadra Sahakari Act 1997 and

similar state enactments: In the context of the newly announced national policy on co-operatives (which envisages more autonomy to the co-operative banks), the Co-operative Societies Acts of some states have been amended and recently the Multi State Co-operative Societies Act, 2002 has been enacted to give effect to the new policy. These Acts do not fulfill the essential conditions prescribed under the DICGC Act, 1961 for providing deposit insurance cover. For instance, the banks that have opted to register as 'Co-operative Societies' under the Karnataka Souharda Sahakari Act, 1997 (KSS Act) cannot be termed as co-operative banks as defined under Section 2(1) of the NABARD Act, 1981 and would, therefore, be outside the purview (of Section 56) of BR Act, 1949. As a further consequence, these banks will automatically go out of the purview of the DICGC Act, 1961 (vide Section 2(dd), 2(r) and 13A ibid). Moreover, the KSS Act applicable to co-operative banks does not contain some of the provisions necessary for such banks to be otherwise eligible for deposit insurance from DICGC in terms of Section 2(gg) of the DICGC Act. KSS Act does not stipulate the requirement of RBI's prior approval in writing for the liquidation, amalgamation or reconstruction of co-operative banks and does not provide for issue of order of winding up on RBI's requisition. As regards the Multi State Co-operative Societies Act, 2002, Section 17 of the new Act has done away with the provision for previous sanction in writing of RBI before the Central Registrar accords approval for the amalgamation / reconstruction of a multi-state cooperative bank. Similarly, the provision relating to the Central Registrar passing an order for supersession of a co-operative bank if so required by the Reserve Bank of India available in Section 48(7) of the repealed Act has been deleted in the new Act. Another dimension to the issue of banks registered under the MSCS Act, 2002 is that the Supreme Court has recently ruled that the RBI cannot grant licence to the co-operative banks registered under this Act.

The implication of the position stated above is that the co-operative banks registered under the MSCS Act, 2002 are not eligible for banking licence and deposit insurance cover. Similarly, co-operative banks registered under the KSS Act or similar other state enactments go out of the provisions of the DICGC Act and are not eligible for deposit insurance cover.

In the light of the current legal vacuum and lack of specific information about the Co-operative Societies Act under which the banks are registered at the time of payment of half-yearly deposit insurance premium, the Corporation continues to collect the deposit insurance premium from all existing co-operative banks registered by DICGC including those banks which are not eligible for deposit insurance cover. The RBI also continues to conduct statutory inspection of these banks. However, in order to correct the information vacuum, all the insured co-operative banks have been advised to indicate the Co-operative Societies Act under which they are registered in the DI-01 returns beginning with the half year April 2004 to enable us to ascertain whether these banks comply with the definition of "eligible co-operative banks" in terms of Section 2 (gg) of DICGC Act, 1961.

D. Change in Periodicity for Payment of Deposit Insurance Premium

With a view to simplifying the procedure for payment of deposit insurance premium, the Corporation has revised the procedure for payment of deposit insurance premium by changing the periodicity from January - June and July - December to April - September and October - March respectively to coincide with the half yearly and yearly closing of accounts of insured banks with effect from 1st October 2003. A notification to this effect has been published in the Gazette of India vide notification No 113.dated 14th July 2003, amending the Regulation 19 and 20 of the Deposit Insurance and Credit Guarantee Corporation General Regulation, 1961.

E. Increase in DICGC's deposit insurance premium in two phases - from 5 paise to 10 paise per Rs.100 of Assessable Deposits per annum

The Corporation had to settle claims for large amounts in the last 3 years due to the failure of banks, particularly in the Co-operative Sector causing drain on the Deposit Insurance Fund (DIF). It was, therefore, considered necessary to build up a sound DIF in the long term and protect the interests of the banking system. With this objective, it was decided with RBI's approval to enhance the deposit insurance premium in two phases from 5 paise per Rs.100 of assessable deposits to 8 paise per Rs. 100 of assessable deposits from the financial year 2004-05 and 10 paise per Rs. 100 of assessable deposits from the financial year 2005-06.

1.4 Insured Deposits

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 2002 and June 2003 are furnished in Table 1.

Table 1 : Insured Deposits

Particulars (Accounts in lakhs & amounts in Rs. crore)	June	
	2002	2003
1 Total No of Accounts.	6,002	5,440
2 Fully protected accounts	5,782	5,189
3 Percentage of 2 to 1	96.3	95.4
4 Assessable deposits	12,13,163	13,18,268
5 Insured deposits	8,28,885	8,70,940
6 Percentage of 5 to 4	68.3	66.1

The year-wise details for the previous years are furnished in Annexures III & IV.

1.5 Receipt of Deposit Insurance Premium

The category-wise break-up of premium (including interest on overdue premium) collected from insured banks during 2002-2003 and 2003-04 are furnished in Table 2.

Table 2 : Premium received

(Rupees in Crores)

Year	Commercial Banks including LABs & RRBs	Co-operative Banks	Total
2002-03	622.70	84.12	706.82
2003-04	684.28	86.35	770.63

1.6 Settlement of deposit insurance claims

During the year 2003-2004, the Corporation has settled aggregate claims for Rs.181.26 crore in respect of 30 co-operative banks including additional claims for 6 banks as detailed in Table 3.

Table 3 : Claims settled

(Rupees in crore)

Sr. No.	Name of the Bank	No. of Depositors	Amount of Claims (Rs. in crore)
1	Ahmedabad Urban Co-op bank Ltd., Gujarat	8522	3,73,43,883.39
2	Armoor Coop. Urban bank Ltd, Armoor, A.P.	245	7,08,437.60
3	Aryan Coop Urban Bank Ltd., A.P.	6766	4,67,81,033.93
4	Bhavnagar Welfare Coop Bank Ltd., Gujarat	8614	3,55,08,212.73
5	Charminar Coop Urban bank Ltd., A.P.	99673	1,00,00,00,000.00
6	Dhana Coop. Urban Bank Ltd., A.P.	1440	2,38,55,343.90
7	First City Coop Urban Bank Ltd., A.P.	2242	1,28,73,233.79
8	Janata Comm Co-op Bank Ltd., Gujarat	4061	4,11,25,980.60
9	Khed Urban Co-op. Bank Ltd., Gujarat *	5	19,133.61
10	Krushi Coop Urban bank Ltd., A.P. *	8033	13,10,759.00
11	Mandsaur Commercial Co-op Bank Ltd., M.P.	19954	14,11,39,807.30

Sr. No.	Name of the Bank	No. of Depositors	Amount of Claims (Rs. in crore)
12	Manikanta Coop Urban Bank Ltd., A.P.	1044	2,16,77,670.15
13	Mother Theresa Co-op Urban Bank Ltd., A.P.	2404	5,04,61,501.63
14	Navodaya Sah Bank Ltd., Bangalore, Karnataka	5637	30,38,467.34
15	Palana Coop Bank Ltd., Gujarat	4610	2,29,52,185.85
16	Pithapuram Coop Urban Bank Ltd., A.P.	4386	76,97,971.56
17	Praja Coop. Urban Bank Ltd., A.P.	4945	91,96,287.43
18	Rajampet Coop. Town Bank Ltd., A.P.	2530	1,63,45,120.48
19	Santram Coop Bank Ltd., Gujarat.	19915	11,55,54,215.90
20	Shree Adinath Sahakari Bank Ltd., Maharashtra	6818	4,29,27,966.73
21	Shree Bhagyalaxmi Coop Bank Ltd., Gujarat	14512	3,40,33,475.49
22	Shree Labh Coop. Bank Ltd., Mumbai, Maharashtra*	1	1,00,000.00
23	Sravya Coop Urban Bank Ltd., A.P.*	2	10,186.00
24	Star Coop Bank Ltd., A.P.	386	26,26,790.96
25	The Ahmedabad Mahila Nag. Sah Bank Ltd., Gujarat	8603	3,31,08,600.88
26	The Kalwa Belapur Sah. Bank., Maharashtra	12182	4,88,80,136.40
27	Theni Coop Urban Bank Ltd., T.N.	9763	3,31,67,939.52
28	The Yamuna Nagar Urban Coop. Bank Ltd., Haryana	5765	3,00,46,640.14
29	Nagrik Coop. Comm. Bank Ltd., Bilaspur, M.P.*	1	300.00
30	Megacity Coop. Urban Bank Ltd., A.P. *	1	90,298.00
TOTAL			181,25,81,580.31

* Additional claim admitted during the year.

Further, a provision of Rs.1236.25 crore has been made towards the likely claim liabilities in respect of depositors of 80 banks which are under liquidation or whose licence / application for licence to carry on banking business has been cancelled / rejected by Reserve Bank of India.

1.7 Position of Claims settled / Repayments received

As on 31st March 2004, the aggregate amount (cumulative) of claims paid and provided for since the inception of the Scheme, in respect of 27 commercial banks was Rs.290.18 crore. Repayment received from liquidators/amalgamated banks upto 31st March 2004 aggregated Rs. 79.63 crore (including Rs.2.85 crore received during the year). The total amount of claims paid/provided for in respect of 99 co-operative banks, since the inception of the Scheme till 31st March 2004 was Rs.754.14 crore (including Rs.181.26 crore paid during the year). Repayments received from the liquidators/ amalgamated banks upto 31st March 2004 aggregated Rs. 13.10 crore (including Rs 10.35 crore received during the year). The particulars of banks in respect of which claims have been paid, written off, provided for and repayments received till 31st March 2004 are furnished in **Annexure V**.

1.7 Deposit Insurance Reforms

The first step towards reforming the deposit insurance set up in India is considered to be the Narasimham Committee Report on the *Banking Sector Reforms* (1998), which while focusing on the structural issues, observed:

“Deposit insurance has increased public confidence in the banking system, promoted savings in bank deposits and has enabled banks to perform the intermediation function more effectively...Deposit insurance and the aversion to bank failures could create a moral hazard that distorts the incentives for banks and create

competitive distortions... The Committee is of the view that there is need for a reform of the deposit insurance scheme. In India, deposits are insured up to Rs.1 lakh. There is no need to increase the amount further. There is, however, need to shift from the 'flat' rate premiums to 'risk based' or 'variable rate' premiums..."

Thus, given the increasing signs of vulnerabilities in certain segments of banks and non-banks, a review of the deposit insurance system was overdue which resulted in the RBI constituting, on April 9, 1999, an Advisory Group and a Working Group under Shri Jagdish Capoor, Deputy Governor, RBI to look into the issues of reforming the deposit insurance set up in the country. The recommendations made by the group were examined by DICGC in consultation with RBI following which an Outline of the **Deposit Insurance Corporation Bill, 2000** (without specifying the drafting details of the legislation) was sent to MoF, Gol on September 13, 2000. However, the then Finance Minister in his budget speech for the year 2002-03 announced that the Deposit Insurance and Credit Guarantee Corporation (DICGC) would be converted to Bank Deposit Insurance Corporation (BDIC) to make it an effective instrument for dealing with distressed banks, and appropriate legislative changes would be proposed for this purpose. The Ministry of Finance, Government of India therefore decided that before proposing legislative changes, the FDIC model should be studied closely and a suitable model be evolved for India. In view of these developments, in June 2002, a joint team of the Finance Ministry, the Reserve Bank of India and the DICGC visited the FDIC and other US bank regulatory and supervisory agencies. The study team submitted its report to MoF, Gol in January 2003. Based on the Study team's Report, an outline of the **Bank Deposit Insurance Corporation (BDIC) Bill, 2003** to replace the DICGC Act, 1961 was submitted to MoF, Gol on 28th February 2003. Subsequently, the Corporation made a presentation on the salient features of the Bill to MoF Gol on 23rd June 2003. Based on the presentation the

following two suggestions have been confirmed by MoF vide their letter dated 28th November 2003:

- (i) *BDIC should have powers to initiate remedial/ rehabilitation measures for failing banks if the regulatory/ supervisory authorities do not act promptly.*
- (ii) *RBI should have a senior officer nominee dealing with regulation and supervision issues on the Board of BDIC to facilitate exchange of information.*

Further, the Governor, RBI has indicated that the Corporation should work on a new law taking into consideration the latest international best practices that will suit the Indian financial set up. The Corporation is currently in the process of revising the draft Bank Deposit Insurance Corporation Bill.

Credit Guarantee Schemes

2.1 As per the recommendations of the expert group appointed by the Corporation, certain changes were made in the terms and conditions of the CGS in April 1995, following which number of banks participating in the schemes started declining. As on 31st March 2004, no bank was participating under Small Loans Guarantee Scheme 1971. Similarly none of the urban co-operative banks is continuing under the Small Loans (Co-operative Banks) Guarantee Scheme, 1984. Consequent upon opting out by the remaining participants from the Small Loans Credit Guarantee Scheme, 1971 and Small Loans (Co-operative Banks) Guarantee Scheme, 1984, the Corporation is not operating these Credit Guarantee Schemes for small borrowers. As regards the Small Loans (SSI) Guarantee Scheme, 1981, only one bank was participating as on 31st March 2003. This bank has also been treated as opted out in view of non-remittance of ad-hoc guarantee fee within the stipulated period (i.e. by 30th April 2003). Therefore, as on 31st March 2004, no bank was participating in the Small Loans (SSI) Guarantee Scheme, 1981 also.

Table 4 : Claims received / settled

(Amount in Rs. Crores)

	During 2002-2003		During 2003-2004		Percentage increase (+) decrease (-)	
	Number	Amount	Number	Amount	Number	Amount
I) Claims received						
i) Small Borrowers	—	—	—	—	—	—
i) SSIs	—	—	1647	0.26	—	—
Total :	—	—	1647	0.26	—	—
II Claims settled :						
i) Small Borrowers	—	—	—	—	—	—
i) SSIs	—	1741	0.61	—	—	—
Total :	—	1741	0.61	—	—	—

2.2 The guaranteed advances under the Corporation's Credit Guarantee Schemes in operation had come down from Rs.0.52 crore as at the end of March 2002 to ' nil ' as at the end of March 2003. Sector-wise distribution of guaranteed advances under the credit guarantee schemes since the year 1991-92 has been given in **ANNEXURE VI**.

2.3 During the year 2003-2004, no claim was received as against 1647 claims for Rs. 0.26 crore in the previous year. The Corporation therefore had not settled any claim during the year as against 1741 claims settled during the previous year for Rs.0.61

crore. The details of claims received/settled during the year as well as for previous year are furnished below in Table No.4.

2.4 Only one bank was participating under Small Loans (SSI) Guarantee Scheme - 1981 last year. The bank had remitted the guarantee fee after prescribed period and the same was refunded during the year 2003-04. As on 31st March 2004 no bank is participating under any of the Credit Guarantee Schemes of the Corporation. The details of guarantee fees received, guarantee claims received and claims paid during the period 1991-92 to 2003-2004 are as under :

Table 5 : Guarantee fees / Claims received and claims paid

(Amount in Rs. Crores)

Year	Guarantee fee receipts	Guarantee claims receipts	Claims paid	Gap (2)-(3)	Gap (2)-(4)
1.	2.	3.	4.	5.	6.
1991-92	565.87	627.23	462.29	(-) 61.35	(+) 103.58
1992-93	702.78	1143.27	643.55	(-) 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
2000-2001	0.07	36.06	47.34	(-) 35.99	(-) 47.27
2001-2002	0.02	1.24	1.33	(-) 1.22	(-) 1.31
2002-2003	0.21	0.26	0.14	(-)0.05	(-) 0.07
2003-2004	0.02 *	—	—		

* Guarantee Fee received after stipulated period was refunded to bank during the year 2003-04 .

The scheme-wise break-up of guarantee fee received since 1991-92 is given in **ANNEXURE X**.

2.5 Small Borrowers' Credit Guarantee Schemes

- (i) Small Loans Guarantee Scheme, 1971 (SLGS 1971)
- (ii) Small Loans (Co-operative Banks) Guarantee Scheme, 1984 (SLCBGS 1984)

SLGS, 1971 provides for guarantee cover for advances granted for agriculture and allied activities, transport, retail trade, small business etc., by commercial banks including Regional Rural Banks. With effect from 1st April 2001 no bank was participating under the Scheme and as such subsequent to the year ended March 2002, no bank was eligible to lodge any claims with the Corporation. As a result of stoppage of operations under the Scheme there were no advances guaranteed by the Corporation under the Scheme.

The SLCBGS, 1984 covers priority sector advances granted by primary urban co-operative banks for non-agricultural purposes. None of the urban co-operative banks is continuing under the scheme.

Upto the year ended March 2004, the Corporation had settled 3,74,23,627 claims for Rs.10,043.06 crore. The year-wise details of receipt and disposal of claims under the Corporation's credit guarantee schemes relating to small borrowers are given in **Annexure VII**.

The sector-wise breakup of claims received under the Schemes for the small borrowers upto 31st March 2003 is given in **Annexure VIII**.

Recoveries received under the Schemes during the year by virtue of Corporation's subrogation rights aggregated Rs.18.85 crore as against Rs 31.68 crore received during the previous year. The cumulative amount of recoveries received since the inception of the Schemes aggregated to Rs.1990.54 crore forming 28.68 per cent of claims paid at Rs.6938.84 crore. .

2.6 Small Loans (SSI) Guarantee Scheme, 1981

As on 31st March 2004, no bank was participating under the scheme.

The Corporation has not received any claims during the year as against 1647 claims for Rs 0.26 crore during the previous year. No claims were disposed off as against 1741 claims for Rs.0.61 crore during the year 2002-03. The details of claims received and disposed of year-wise, from 1st April 1981 onwards are given in **Annexure IX**. As on 31st March 2004, no claims were pending.

Recoveries made under the Scheme during the year by virtue of the Corporation's right of subrogation amounted to Rs.2.16 crore as compared to Rs.4.91 crore received during the previous year. Cumulative recoveries since 1981 aggregated Rs.262.62 crore as on 31st March 2004 forming 26.23 per cent of the total amount of claims paid at Rs.1001.13 crore under the Credit Guarantee Scheme for Small Scale Industries.

2.7 Credit Guarantee Scheme for Small Scale Industries, Government's Credit Guarantee Scheme (since cancelled)

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.2.37 lakh representing the recoveries received in claim paid accounts during the year ended 31st March 2004 under the Scheme, the Corporation remitted a sum of Rs.2.13 lakh to the Government after retaining an amount of Rs. 0.24 lakh towards administrative expenditure incurred by it.

2.8 Extinction of Credit Guarantee Scheme

Almost all the Credit Institutions/banks have opted out of the schemes consequent upon the modification in their terms and conditions in April 1995. The Corporation had recommended to Government

of India for termination of the schemes and sought their concurrence for the same. The proposal was examined by Govt. of India and considered view of Government is that there is no need for formal termination of the scheme as the scheme is automatically very close to extinction. As on 31st March 2004, the Corporation was not operating the Small Loans Guarantee Scheme, 1971, Small Loans (Co-operative Banks) Guarantee Scheme, 1984 and Small Loans (SSI) Guarantee Scheme, 1981 as no bank was participating in these schemes.

ACCOUNTS

Balance Sheet and Revenue Account

3.1 Revenue Accounts for the year ended 31st March 2004 and Balance Sheet as at 31st March 2004 showing the position of the Corporation's three funds viz., Deposit Insurance Fund (DIF), Credit Guarantee Fund (CGF) and General Fund (GF), together with the Auditor's Report are attached.

3.2 The Revenue Accounts have been prepared after making provisions for the incremental liabilities as per the actuarial valuation in respect of DIF (there are no incremental liabilities in CGF) and for other outstanding liabilities to the satisfaction of the statutory auditors. The revenue surpluses in DIF, CGF and GF during the year 2003-04 before taxation were of Rs.566.52 crore, Rs.196.20 crore and Rs.2.84 crore as against previous year's surpluses in DIF, CGF & GF of Rs.1575.71 crores, Rs.217.83 crores and Rs.3.41 crores respectively. After making adequate provision for Income Tax liability, the accumulated surpluses in DIF, CGF and GF as on 31st March 2004 are arrived at Rs.5037.42 crore, Rs.1510.68 crore and Rs.24.09 crore respectively.

BUDGETARY CONTROL

4. The Corporation has devised various control returns under its Management Information System

(MIS) for submission by the participating entities for monitoring receipt of premium and guarantee fees and to exercise 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 Investments in terms of book value aggregate to Rs. 91.52 crores, Rs. 7,079.09 crores and Rs.1,680.17 crores respectively in the case of General Fund, Deposit Insurance Fund and Credit Guarantee Fund as on 31st March 2004. 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 Chajjed & Doshi, 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 2004.

PROGRESSIVE USE OF HINDI

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 1Q(4) of the Official Languages Rules, 1976. The Corporation prepares quarterly progress reports of use of Hindi. The Official Languages Implementation Committee meets regularly once a quarter to monitor as well as to promote the use of Hindi in the day-to-day functioning of the Corporation.

TRAINING AND DEPUTATION

During the year, 73 employees including 27 officers, 41 Class III and 15 Class IV staff were deputed for various training programmes conducted by RBI at various training Collages and ZTC. The Officers were also deputed for trainings conducted by outside Institutions like NIBM, FICCI etc. Two officers were deputed for seminars on Governance of Central Banks and Enterprise Risk Management conducted by Bank of London at England and by International Association of Deposit Insurers (IADI), Basle, respectively.

INSPECTION AND FINANCIAL AUDIT BY RBI

Inspection department of Reserve Bank of India conducted Management Audit and Systems Inspection- 2003 in the month of June / July. Inspection Department also conducted Information Systems Audit for the year 2003. Besides this Regional Audit Cell of Reserve Bank of India carried out internal audit of the Corporation's Head Office for the half-years ended 30th March 2003 and 30th September 2003.

MANAGEMENT

Shri Vepa Kamesan, Chairman of the Corporation retired from the Bank's service on December 23, 2003 and Smt. K.J. Udeshi was nominated as the Chairperson of the Corporation with effect from January 9, 2004. Smt. Shyamala Gopinath, Executive Director, RBI was appointed as RBI's Nominee Director on the Board of the Corporation on 7th July 2003 vice Shri K.L. Khetarpaul, Executive Director, RBI.

In terms of Section 6 (1)(d) of the DICGC Act, 1961, Smt. Ranjana Kumar, Chairperson of National Bank for Agriculture and Rural Development, Mumbai

was nominated as director by the Central Government with effect from 7th January 2004 vice Shri Y.C.Nanda, Chairman, NABARD who retired as at the close of business on June 30, 2003.

In terms of Regulation 6 of the DICGC General Regulations, 1961, the Board of Directors of the Corporation is required to meet ordinarily once in a quarter each year. During the year ended 31st March 2004, four meetings of the Board were held.

As per the resolution passed in the 189th Board meeting, held on 26th June 2003, the Audit Committee of the Board was constituted with the following members:

Shri Mukund M. Chitale	Chairman
Shri Sudesh Kumar	Member
Shri S. Doreswamy	Member
Shri M.G. Bhide	Member

Since the formation of the Audit Committee, four meetings were held (the last meeting was held on 25.5.2004).

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

DEPOSIT INSURANCE
AND CREDIT GUARANTEE
CORPORATION
MUMBAI - 400 008.

For and on behalf of the
Board of Directors

(K.J.Udeshi)
Chairperson

Dated: 25th May 2004