

**REPORT OF THE BOARD OF DIRECTORS ON THE WORKING OF THE DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION FOR THE YEAR ENDED 31ST MARCH 2007 SUBMITTED IN TERMS OF SECTION 32(1) OF THE DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION ACT, 1961**

**PART – I: OPERATIONS AND WORKING**

**1.1 REGISTRATION/DE-REGISTRATION OF INSURED BANKS**

The number of registered insured banks as on March 31, 2007 stood at 2,392 comprising of 83 commercial banks, 96 RRBs, 4 LABs and 2,209 co-operative banks. Year-wise /category-wise particulars showing the number of registered banks since inception of the scheme in 1962 are furnished in Annexures I and II. During the year 2006-07, one co-operative bank and 45 RRBs were registered and 3 commercial banks, 37 co-operative banks and 145 RRBs were de-registered, the details of which are furnished in Annexure III.

**1.2 EXTENSION OF DEPOSIT INSURANCE SCHEME**

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 26 States and three Union Territories (Annexure II), the position of extending the deposit insurance coverage in the 3 States viz., Meghalaya, Mizoram, Nagaland and 3 Union Territories of Chandigarh, Lakshadweep and Dadra & Nagar Haveli is as follows:

The Scheme has been extended to the State of Nagaland effective April 1, 2007. In the case of Mizoram\* as necessary amendments to the Co-operative Societies Act have been enacted by the State Government, the effective date of extension of deposit insurance scheme will be notified shortly.

\* Update: Since covered w.e.f. 1st July, 2007.

The extension of the Scheme to the co-operative banks in Meghalaya, and three Union Territories viz., Chandigarh, Lakshadweep and Dadra & Nagar Haveli continues to be pending with the concerned Governments for want of carrying out the necessary amendments to their Co-operative Societies Acts.

**1.3 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 2005-06 and 2006-07 are furnished in Table 1.

**Table 1: Insured Deposits @**

Particulars	As at the end of	
	2005-06	2006-07
(Account in lakhs and amount in crore)		
1 Total No of Accounts.	5,373.94	7,168.95
2 Fully protected accounts	5,055.35	6,829.01
3 Percentage of 2 to 1	94.07	95.26
4 Assessable deposits	17,90,918.86	23,44,351.21
5 Insured deposits	10,52,988.13	13,72,596.97
6 Percentage of 5 to 4	58.80	58.55

@ Based on returns as on last working day of September of the previous years.

The extent of protection to depositors offered since inception of the scheme and category-wise break-up for last three years are furnished in Annexures IV and V respectively.

**1.4 RECEIPT OF DEPOSIT INSURANCE PREMIUM**

The category-wise break-up of premium (including interest on overdue premium) collected from insured banks during 2005-06 and 2006-07 is furnished in

Table 2.

**Table 2 : Premium received**

(Rupees in Crore)

Year	Commercial Banks including LABs & RRBs	Co-operative Banks	Total
2005-06	1,784.02	189.59	1,973.61
2006-07	2,115.79	205.13	2,320.92

## 1.5 SETTLEMENT OF DEPOSIT INSURANCE CLAIMS DURING 2006-07

During the year 2006-07, the Corporation settled aggregate claims for Rs.544.60 crore in respect of 28 original claims and 21 additional claims as detailed in Table 3.

A provision of Rs.616.24 crore was held towards the estimated claim liabilities in respect of depositors of 143 banks under amalgamation/ liquidation whose licence/application for licence to carry on banking business has been cancelled / rejected by Reserve Bank of India.

**Table 3 : Claims settled**

Sr. No.	Name of the Bank	No. of Depositors	Amount of Claims (Rs. In lakh)
<b>A.</b>	<b>Commercial Bank (1)</b>		
1	Benaras State Bank Ltd. Uttar Pradesh	33271	565.29
	<b>Sub Total</b>	<b>33,271</b>	<b>565.29</b>
<b>B.</b>	<b>Co-operative Banks (48)</b>		
	<b>Andhra Pradesh (5)</b>		
1	Mahalaxami CBL Hyderabad	151	72.31
2	Mother Theresa Co-operative Bank Ltd., Hyderabad	2	0.72
3	Neelagiri CBL Nalagonda	1	0.04
4	Prudential Co-op. bank Ltd. Secunderabad	120206	7559.59
5	Shri Satyasai Co-operative Bank Ltd., Hyderabad	417	16.07
	<b>Sub Total</b>	<b>1,20,777</b>	<b>7,648.73</b>
	<b>Bihar (2)</b>		
6	Chapra Distt. Central CBL, Chapra	26735	825.30
7	Madhepura Supaul Central CBL Madhepura	17495	650.54
	<b>Sub Total</b>	<b>44,230</b>	<b>1,475.84</b>
	<b>Chattisgarh (1)</b>		
8	Jilla Sahakari Kendriya Bank Maryadit Raigarh	87270	1776.73
	<b>Sub Total</b>	<b>87,270</b>	<b>1,776.73</b>
	<b>Gujarat (24)</b>		
9	Anand Peoples CBL Anand	36613	3514.26
10	Baroda Mercantile CBL Vadodara	2754	122.13
11	Century CUBL Surat	4934	656.81
12	Dhaboi Nagrik Sahakari BL, Dhaboi	26374	1612.92
13	Dhansura Peoples CBL, Dhansura	7986	587.98
14	Janta CBL Nadiad	27735	3115.14
15	Matar Nagrik Sah. Bank Ltd., Matar	1080	134.84
16	Metro CBL Surat	2	1165.38
17	Nadiad Mercantile CBL, Nadiad	73	211.34

Sr. No.	Name of the Bank	No. of Depositors	Amount of Claims (Rs. In lakh)
18	Navsari PCBL, Navsari	32245	2734.05
19	Petlad Commercial CBL, Petlad	536	31.15
20	Sabarmati CBL, Ahmedabad	9864	666.31
21	Seth B B Shroff Bulsar Peoples CBL, Valsad	27731	2289.47
22	Shree Swaminarayan CBL, Vadodara	39410	4126.94
23	Shreenathji Co-operative Bank Ltd , Nadiad	3	50.51
24	Shri Sarvodaya CBL, Ahmedabad	*	98.55
25	Shri Vitrag CBL, Surat	3871	908.23
26	Sunav Nagrik Sah.BL, Surat	5	2.43
27	The Natpur CBL, Nadiad	43299	5420.50
28	The Petlad Nagrik Sahakari Bank Ltd, Petlad	260	59.59
29	The Relief Mercantile CBL, Ahmedabad	4415	113.98
30	The Royale CBL, Surat	10692	797.91
31	The Textiles Processors CBL, Ahmedabad	6	1.43
32	Visnagar Nagrik Sahakari Bank Ltd., Visnagar	267	4042.17
	<b>Sub Total</b>	<b>2,80,155</b>	<b>32464.02</b>
	<b>Karnataka (3)</b>		
33	Cauveri UCBL Bangalore	538	48.47
34	Gulberga UCBL Gulberga ,	33	12.71
35	Karnataka Contractors Sahakar Bank Niyamitha, Bengaluru	39	293.31
	<b>Sub Total</b>	<b>610</b>	<b>354.49</b>
	<b>Madhya Pradesh (4)</b>		
36	Sanskardhani Mahila Nagrik Sah. Bank Ltd., Jabalpur	211	3.15
37	Maharashtra Brahmin Sahakari Bank Ltd., Indore	29493	2866.76
38	Mitra Mandal Sahakari Bank Ltd., Indore	23573	1427.09
39	Nagrik Sahakari Bank Maryadit,Ratlam	16455	203.94
	<b>Sub Total</b>	<b>69,732</b>	<b>4500.94</b>
	<b>Maharashtra (6)</b>		
40	Jaihind Cooperative Urban Bank Ltd. Mumbai	6163	1178.98
41	Pratibha Mahila Sah. Bank Ltd. Jalgaon	7	3.59
42	Samastnagar CUBL Mumbai	16002	1126.28
43	Solapur Distt.Industrial CBL, Solapur	1082	461.67
44	Solapur Merchants CBL, Solapur	*	52.88
45	Western Co-op. Bank Ltd., Mumbai	15	77.31
	<b>Sub Total</b>	<b>23,269</b>	<b>2900.71</b>
	<b>Rajasthan (1)</b>		
46	Lok Vikas UC Bank Ltd., Jaipur	475	64.36
	<b>Sub Total</b>	<b>475</b>	<b>64.36</b>
	<b>Tamilnadu (2)</b>		
47	Kotagiri UCBL Kotagiri	3719	240.41
48	Madurai Urban Co-operative Bank Ltd., Madurai	24770	2468.24
	<b>Sub Total</b>	<b>28,489</b>	<b>2708.65</b>
	<b>GRAND TOTAL</b>	<b>6,88,278</b>	<b>54,459.76</b>

\* withheld amount released

## 1.6 TOTAL CLAIMS SETTLED/REPAYMENTS RECEIVED

As on 31<sup>st</sup> March 2007, the aggregate amount of claims paid and provided for since the inception of the Scheme, in respect of 27 commercial banks was Rs. 295.83 crore (including Rs. 5.65 crore paid during the year). Repayment received from liquidators/amalgamated banks up to 31<sup>st</sup> March 2007 aggregated Rs.85.09 crore (including Rs. 0.05 crore received during the year). The total amount of claims paid/provided for in respect of 176 co-operative banks, since the inception of the Scheme till 31<sup>st</sup> March 2007 (including Rs. 538.95 crore paid during the year) was Rs. 2,298.50 crore. Repayments received from the liquidators/amalgamated banks up to 31<sup>st</sup> March 2007 aggregated Rs.47.89 crore (including Rs.19.99 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 31<sup>st</sup> March 2007 are furnished in Annexure VI.

## 1.7 CREDIT GUARANTEE SCHEMES

As on March 31, 2007, no credit institution was participating in any of the Credit Guarantee Schemes of the Corporation. No claim was received during the year 2006-07 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 2006-07 are given in Table 4:

The scheme-wise break-up of guarantee fee received since 1991-92 is given in Annexure VII.

### 1.7.1 Small Borrowers' Credit Guarantee Schemes

Under (i) Small Loans Guarantee Scheme, 1971 (SLGS 1971) and (ii) Small Loans (Co-operative Banks) Guarantee Scheme, 1984 (SLCBGS 1984), the Corporation had settled 3,74,23,627 claims for Rs.10,043.06 crore up to the year ended March 2007. The year-wise details of receipt and disposal of claims are given in Annexure VIII.

**Table 4: Guarantee fees / Claims received and claims paid**

Year	Guarantee fee receipts	Guarantee claims received	Claims paid	(Amount in Rs. Crores)	
				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
1999-00	21.99	245.49	403.13	(-) 223.50	(-) 381.14
2000-01	0.07	36.06	47.34	(-) 35.99	(-) 47.27
2001-02	0.02	1.24	1.33	(-) 1.22	(-) 1.31
2002-03	0.21	0.26	0.14	(-)0.05	(-) 0.07
2003-04	0.02 *	-	-	-	-
2004-05	-	-	-	-	-
2005-06	-	-	-	-	-
2006-07	-	-	-	-	-

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

Recoveries received under the Schemes during 2006-07, by virtue of Corporation's subrogation rights, aggregated Rs.6.11 crore as against Rs.8.37 crore during the previous year. The cumulative amount of recoveries received since the inception of the Schemes aggregated Rs.2,019.06 crore forming 29.10 per cent of total claims paid at Rs.6,938.84 crore.

### **1.7.2 Small Loans (SSI) Guarantee Scheme, 1981**

The year-wise details of claims received and disposed off, from 1st April 1981 onwards are given in Annexure IX. Recoveries made under the Scheme during 2006-07 by virtue of the Corporation's right of subrogation amounted to Rs.0.68 crore as compared to Rs.1.03 crore during the previous year. Cumulative recoveries since 1981 aggregated Rs.265.94 crore as on March 31, 2007 forming 26.56 per cent of the total amount of claims paid at Rs.1001.13 crore.

### **1.7.3 Credit Guarantee Scheme for SSIs, Government's Credit Guarantee Scheme (since cancelled)**

The Corporation continues to act 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. No amount towards recoveries was received during the year ended March 31, 2007 under the Scheme.

## **1.8 PROPOSED CREDIT GUARANTEE SCHEME AS ONE OF THE MEASURES SUGGESTED BY WORKING GROUP TO ASSIST DISTRESSED FARMERS**

As announced by Governor, Reserve Bank of India, in the Annual Policy Statement 2006-07, RBI had constituted a Working Group on May 18, 2006 to suggest measures to assist distressed farmers including provision of financial counseling services and introduction of a specific Credit Guarantee Scheme under the DICGC Act 1961 for such farmers. The Working Group under the Chairmanship of Prof. S.S. Johl (Vice Chairman,

Punjab State Planning Board) has since submitted its report to the Reserve Bank of India on November 14, 2006. The committee has recommended, among others, framing and operation of a Credit Guarantee Scheme for borrowers with credit limits upto Rs.1 lakh and affected by systemic distress. The Corporation is in the process of framing a suitable credit guarantee scheme in this regard.

## **PART II RECENT POLICY INITIATIVES**

### **2.1 EXPEDITIOUS SETTLEMENT OF CLAIMS**

The basic function of all deposit insurers is to reimburse depositors promptly for the losses they otherwise would suffer in the event of an insured financial institution's closure. If payment to depositors is not available immediately after an institution is closed, depositors need to know the time frame over which reimbursement will take place. This will help to reduce the loss of public confidence and restrict the run on the banks. Reimbursement to depositors including the speed and convenience of payment is essential.

As per the DICGC Act, 1961, the depositors' dues are expected to be settled within a maximum period of five months from the date of assuming charge of office by liquidator or coming into force of amalgamation / restructuring scheme. However, it is generally observed that the time lag between the issue of liquidation order and actual reimbursement to the depositor is very wide due to various factors, viz. non-receipt of claim lists, delay in appointment of liquidators, court cases, etc. Keeping this in view, the Corporation has framed a policy guideline on expeditious settlement of claims of the depositors of insured banks. The policy consists of two parts – one relating to expeditious settlement of claim of the depositors of insured banks particularly during pendency of court cases challenging cancellation of licence/liquidation of the banks and the other relates to banks under liquidation but claims not submitted to DICGC. During the pendency of the Court case, where no injunction restraining the Corporation to settle the claim is passed, the claim

will be settled against irrevocable undertaking given by the liquidator of the bank binding the said bank to repay the whole amount released by the Corporation in case the liquidation order is set aside. The Corporation will file an appropriate petition before the concerned Court with a prayer to direct the bank to repay the Corporation the amount released by it, in case of its revival. In case the liquidator approaches the Corporation while the Court case is pending, to repay the depositors out of the funds available with him, strictly in accordance with DICGC Act, 1961, the permission may be granted. Such permission may be given subject to the condition that amount so paid will be adjusted against admissible claim. In the context of instances of non-submission of claim list despite lapse of considerable time from the date of liquidation it has been decided, the Corporation will issue a public advertisement in local newspapers stating that the DICGC, although ready to settle depositors' claims, is not able to do so due to claim list having not been submitted by the liquidators. The depositors will be asked to contact the concerned banks/ liquidators to furnish details of claims where required. Before such a notice is issued, the concerned RCS will be given one month's time to take up the matter with the concerned liquidators and arrange for quick submission of the claim list. The new policy on expeditious settlement of claims is summarized in

Table 5.

## 2.2 DEPOSIT HELD IN DIFFERENT ACCOUNTS

In order to determine the amount payable to each depositor within the insurance cover, the different ownership capacities and rights have to be examined with respect to single-holder accounts, joint accounts, business accounts, retirement accounts and fiduciary accounts. In many countries the coverage limit is applied to the combined account statement of depositors with multiple deposits, regardless of the number of deposits, the currency, or the location. In others, deposits held in different capacities and rights are insured separately.

In terms of the proviso to Section 16 (1) of the DICGC Act, 1961, the total amount payable to any depositor in the same capacity and same right is not to exceed Rs.1.00 lakh. The accounts held in the name of two depositors jointly in the style of, say, A & B and B & A have been considered to be in the same capacity and same right till the year ended March 2007. Accordingly, balances in both these joint accounts were aggregated for arriving at the amount of claim payable. This procedure was followed for all types of accounts e.g savings, recurring, current, fixed deposits, etc. held in the single name or joint names of same set of persons

**Table 5 : Policy on Expeditious Settlement of Claims**

CASES	POLICY
<b>Pendency of Court case</b>	The claim will be settled against irrevocable undertaking given by the liquidator of the bank binding the said bank to repay the whole amount released by the Corporation in case the liquidation order is set aside.
<b>Liquidator approaches the Corporation, while the Court case is pending, to repay the depositors out of the funds available with him</b>	The permission may be granted. Such permission may be given subject to the condition that amount so paid will be adjusted against admissible claim.
<b>Non-submission of the claim lists</b>	The Corporation will issue advertisement stating that it is ready to settle the depositors' claim, but it is not able to do so for want of submission of claim list.

maintained in all branches of the bank. As a result of this practice, if a husband and wife maintain two different joint accounts, one having name of the husband first and another having name of the wife first, then in the event of liquidation of bank, the claim payable by DICGC was restricted to the extent of Rs.1.00 lakh only even if both of them had independent sources of income and joint accounts were opened merely for the purpose of operational convenience. This policy resulted in wide spread depositor grievances and hence the matter relating to interpretation of the expression "in the same capacity and same right" was examined afresh and the policy was modified in the following manner :

Hereafter joint accounts held exactly in the same nomenclature and having names in the same order with different branches of the bank will be treated in the same capacity and same right. This will mean that deposits held in the names of, say, A & B and B & A will be treated as two separate accounts and each joint account will be eligible for claim up to Rs.1.00 lakh. Similarly in case of three joint account holders, deposits held in the names of X, Y and Z will be considered in different capacity and right as compared to deposits held in the names of Y, Z and X and Z, X and Y. With the adoption of this interpretation, majority of the depositors' grievances will be redressed since most of the depositors particularly that of the co-operative banks were not sophisticated enough to correctly understand the existing policy.

### **PART III : STATEMENTS OF ACCOUNTS**

#### **3.1 INSURANCE LIABILITIES**

(a) During the year 2006-07, an amount of Rs.544.60 crore was paid towards insurance claims as against Rs. 565.16 crore during the preceding year. The outstanding liabilities towards deposit insurance claims for the year ended 31<sup>st</sup> March 2007, have been estimated at Rs.616.24 crore as against Rs.1,260.45 crore as at the end of previous year (i.e about 51 % decline) and are fully provided for. During the year under review, excess

provisions for deposit insurance claims amounting to Rs.422.19 crore were written back as against Rs.256.49 crore during the previous year.

(b) The Balance of Fund (i.e actuarial liability) as at the end of the year under review stood at Rs.1,211.30 crore as against Rs.1,025.96 crore during the previous year (i.e 18 % increase).

#### **3.2. REVENUE DURING THE YEAR**

(a) The pre-tax revenue surplus in the DIF during the year 2006-07 increased by Rs.463.83 crore (i.e by about 18 %) compared to the previous year, from Rs.2,583.18 crore to Rs.3,047.01 crore. This increase was principally brought about by increase in premium and investment incomes.

(b) The pre-tax revenue surplus in the CGF during 2006-07 declined by Rs.17.48 crore (i.e by more than 38 %) over the previous year from Rs. 45.73 crore to Rs.28.25 crore. This decline is mainly due to increase in depreciation in investment portfolio by Rs.10.35 crore.

(c) The General Fund registered a pre-tax revenue surplus of Rs.2.48 crore during 2006-07 due to credit of interest on income tax refunds for past years amounting to Rs.4.02 crore. But for this, the revenue deficit would have been Rs.1.54 crore, which is 42 % improvement over the previous year's deficit of Rs.2.64 crore.

#### **3.3. ACCUMULATED SURPLUS**

As on 31<sup>st</sup> March 2007, post tax, the accumulated surpluses / reserves in the DIF, CGF and GF were Rs. 9,767.52 crore (Rs. 8,076.94 crore), Rs.349.05 crore (Rs. 344.72 crore) and Rs.69.58 crore (Rs. 73.85 crore) respectively.

#### **3.4 INVESTMENTS**

The book values (at cost) of investments of the three Funds viz. DIF, CGF and GF increased to Rs.12,194.40 crore (Rs. 10,283.81 crore), Rs.436.97 crore (Rs. 393.53 crore ) and Rs.139.01 crore (Rs. 133.59 crore) respectively for the year ended 31<sup>st</sup>

March, 2007. The depreciation in the value of dated securities in the above three Funds at Rs.312.33 crore (Rs.91.08 crore); Rs.16.38 crore (Rs.6.03 crore) ;Rs.4.58 crore (Rs.1.32 crore) respectively have been fully provided for.

### **3.5 INCOME TAX**

During the year, the Corporation paid a total amount of Rs. 1,247.81 crore towards advance tax for the current year and Rs. 339.73 crore for the previous assessment year 2004-05. Further, the Corporation provided for Rs.1,098.68 crore (Rs.884.90 crore) towards current year's income tax liability and Rs.288.27 crore (Rs.463.98 crore) for earlier years. The Corporation has also paid Fringe Benefit tax (FBT) amounting to Rs.0.23 crore during the year.

The balance sheets of the Deposit Insurance Fund, Credit Guarantee Fund and General Fund of the Corporation as on 31<sup>st</sup> March 2007 are attached with Revenue Accounts and Cash Flow statements annexed thereto.

## **PART IV: ORGANISATIONAL MATTERS**

### **4.1. BOARD OF DIRECTORS**

The general superintendence, direction and the management of the affairs and business of the Corporation vest in a Board of Directors which may exercise all powers and does all acts and things which may be exercised or done by the Corporation.

**4.1.1** 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 March 31, 2007 four meetings of the Board were held.

**4.1.2** Shri Ashwini Kakkar, CEO and Managing Director, Mercury Travels (India) Ltd., Mumbai was appointed as director by the Central Government with effect from January 16, 2007 under Section 6(1)(e) of the DICGC Act, 1961.

### **4.2 AUDIT COMMITTEE OF THE BOARD**

The Audit Committee of the Board consists of following Members with Chief General Manager acting as the Member Secretary.

Dr. Atul Agarwal	Chairman
Shri. Sudesh Kumar	Member
Prof. Prakash G. Apte	Member
Shri. R. K.Joshi	Member

During the year ended March 31, 2007 four meetings of the Audit Committee of the Board were held.

### **4.3 MANAGEMENT**

Smt. Usha Thorat, Deputy Governor, Reserve Bank, is the Chairperson of the Corporation. Shri P.K.Biswas, Executive Director of Reserve Bank is holding the portfolio of Deposit Insurance and Credit Guarantee Corporation. Shri M.P.Kothari is the Chief General Manager of the Corporation.

### **4.4 LOGO OF THE CORPORATION**

As part of public awareness programme, the Corporation had initiated certain measures such as preparation of brochure, hosting of web-site, development of a suitable Logo for Corporation etc. While most of these measures are already in place, the Logo has now been introduced and it shows the well-known acronym of Deposit Insurance and Credit Guarantee Corporation to symbolize vigilance (two eyes), stability (green colour) and protection (curvilinear structure of four of the five letters). The Logo will further promote the public awareness of the deposit insurance scheme extended by the Corporation.

### **4.5 INTERNAL CONTROLS**

#### **4.5.1 Budgetary Control**

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.

#### **4.5.2 Inspection and Management Audit by RBI**

Management Audit and Systems Inspection 2006 was conducted by Inspection Department of Reserve Bank of India in the month of February / March 2006. The compliance with the audit observations was at 99.3 per cent.

#### **4.5.3 Concurrent Audit**

The Corporation has introduced a system of concurrent audit (on site) of all its operations by an external firm of Chartered Accountants since the year 2004-05. The monthly audit findings are placed before the Audit Committee of the Board.

#### **4.5.4 Control Self Assessment Audits (CSAA)**

The Corporation has additionally put in place a Control Self Assessment Audit (CSAA) format (peer review) whereby officers of the Corporation are required to conduct audit checks in areas with which they are not functionally associated and submit report to the Chief General Manager.

#### **4.6 TRAINING AND SKILL ENHANCEMENT**

During the year, 98 employees consisting of 36 officers, 48 Class III and 14 Class IV staff were deputed for various training programmes conducted by Reserve Bank of India at various training Colleges and Zonal Training Centre (ZTC) and by external training institutions in India.

#### **4.7 INTERNATIONAL TRAINING / VISITS**

During 2006-07, four officers were deputed by the Corporation to participate in training programmes, seminars and conferences organised by various International Institutions, viz. (i) Problem Bank Resolution-FSI organised by Bank for International Settlements Basel, (ii) International Open House organised by Korea Deposit Insurance Corporation in Korea, (iii) Annual Conference

organised by International Association of Deposit Insurers (IADI) at Brazil and (iv) Second Round Table organised by Deposit Insurance Corporation of Japan in Tokyo.

#### **4.8 THE RIGHT TO INFORMATION ACT, 2005**

The Government of India enacted the Right to Information Act, 2005 on June 15, 2005. The Act came into effect from October 12, 2005. The Corporation, as a public authority, as defined in the Act is obliged to provide information to the members of public. During the year 2006-07, a total of 92 requests were resolved including four cases which were resolved in appeal

#### **4.9 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 10(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.

#### **4.10 AUDITORS**

In terms of Section 29(1) of the DICGC Act, 1961, M/s. Chhajed and Doshi, Chartered Accountants, Mumbai were re-appointed, with approval of the Reserve Bank, as Auditors of the Corporation for the year ended 31<sup>st</sup> March 2007.



For and on behalf of the  
Board of Directors

**DEPOSIT INSURANCE  
AND CREDIT GUARANTEE CORPORATION  
MUMBAI - 400 008**



**(Usha Thorat)**

Chairperson

Dated June 12, 2007