

Measures to protect small depositors

2598. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that existing law is totally inadequate to provide protection to small depositors and investors; and

(b) if so, what remedial measures are proposed to be taken by Government not only to protect the small depositors money but also the companies to increase the flow of deposits in the country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) Depositors and their interest form the focal point of the regulatory framework for banking in India and it has been appropriately enshrined at various places in the Banking Regulation Act, 1949. Interest of the depositors is the prime consideration for Reserve Bank of India while taking any decision relating to banks. 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 "is 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 also made in Reserve Bank of India (RBI) Act, 1934 to protect the interest of small depositors in Non-Banking Financial Companies and unincorporated bodies.

On pursuance by the RBI, 14 States and 1 Union Territory have also enacted legislation on the lines of Tamil Nadu Protection of Interests of Depositors (in Financial Establishments) Act, 1997 which contains stiff penal provisions for promoters of financial establishments defaulting in repayment of deposits and interest.

Similarly, under the provisions of the Securities & Exchange Board of India (SEBI) Act, 1992, it is the duty of the SEBI to protect the interest of investors in securities and to promote the development of, and to regulate the securities market. In discharge of its statutory duty under the SEBI Act, 1992, the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956 and Depositories Act, 1996 SEBI has framed various regulations/guidelines for the protection of the investors in securities market.

Measures to strengthen the customs service

2599. SHRI RAMA CHANDRA KHUNTIA:

SHRI B.K. HARIPRASAD:

Will the Minister of FINANCE be pleased to state: