



Unclaimed deposits in Scheduled Commercial Banks: Exploring the rising trend



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Introduction

The Reserve Bank of India (RBI) refers to unclaimed deposits as balances in savings or current accounts that have not been operated for 10 years or term deposits not claimed within 10 years from the date of maturity. Banks transfer these amounts to the Depositor Education and Awareness Fund (DEAF) maintained by RBI.

(In terms of RBI guidelines, deposits unclaimed for 10 years and above are to be transferred to DEAF A/c of RBI along with interest wherever applicable. In terms of announcement of Monetary Policy 2013-14 and pursuant to the enactment of the Banking Laws (Amendment) Act, 2012, Section 26A has been inserted in the Banking Regulation Act, 1949, which inter alia, empowered RBI to establish a Depositor Education and Awareness Fund (DEAF). Accordingly, the DEAF Scheme, 2014 has been made operational.)

It is important to note that depositors retain their right to claim these deposits at a later date, along with any applicable interest, from the bank(s), where the deposits were originally held (Reserve Bank of India - Press Releases, 2023).

As per RBI guidelines, banks must conduct a yearly assessment of accounts that have been inactive for over a year and notify customers in writing about the account's inactivity. Furthermore, banks are obligated to publish a list of unclaimed deposits and inactive accounts on their websites for a period of 10 years or more, including the name and address of the account holders. To proactively address this issue,

banks are strongly encouraged to initiate special initiatives aimed at locating customers or their legal heirs associated with inactive accounts or those without any transactions for a minimum of two years (Reserve Bank of India - Notifications, 2014).

Process to Claim Deposits

To facilitate the claiming process, every bank is required to display details of unclaimed accounts on their websites, including identifiable information. Upon reviewing these details on the bank's website, customers can visit the respective bank branch with a completed claim form, deposit receipts and relevant Know Your Customer (KYC) documents to initiate the process of reclaiming their money.

To further facilitate the settlement of unclaimed deposits, RBI has recently announced the establishment of a centralized web portal, enabling the public to search for unclaimed deposits across multiple banks. Additionally, on May 12, 2023, the RBI unveiled the '100 Days 100 Pays' campaign, commencing on June 1, 2023 urging banks to locate and settle the top 100 unclaimed deposits from each bank in every district of the country within 100 days. This measure is a complementary effort to the ongoing initiatives by RBI aimed at reducing the quantum of unclaimed deposits within the banking system and facilitating their return to their rightful owners or claimants (Reserve Bank of India - Press Releases, 2023). Given the circumstances, it is crucial to shed light on the sheer volume of unclaimed deposits across all scheduled commercial banks, encompassing various types of accounts including

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current accounts, savings accounts, fixed deposits, other deposits and total deposits.

Process for Claiming/Activation of the Unclaimed Deposit Accounts

I. Claim by the customer himself

- a. Account holders after checking their name and address on the List of Unclaimed Deposits displayed on this website will visit the branch for maintaining his/her account and submit the “Claim Form” duly filled in and signed, along with the available details of the account (Passbook/Statements of account, Term Deposit/Special Term Deposit Receipts or advices), recent photographs, valid identity and address proof documents (KYC documents) with originals, for verification.
- b. Branches will directly process the application for payment of unclaimed deposit and pay the amount after due diligence and KYC compliance.

II. Claim by the legal heir/nominee

- a. For claim process, the legal heir/nominee (s) can visit the branch and submit the Unclaimed Deposits Claim Form duly filled in and signed, along with the following documents. (i) Passbook/Term Deposit/Special Term Deposit Receipts (advices) (ii). Valid Identity proof of the claimant(s) (iii). Copy of death certificate of the account holder.
- b. Branches while processing the applications will meticulously follow the Bank’s policies for claim settlement of deceased and missing persons.

III. Claim of Non-individuals accounts

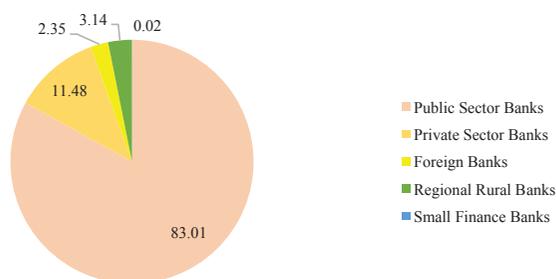
For claim of non-individual accounts including proprietorship and HUF, the Claim forms will be submitted on Company’s/firm’s letter

head duly signed by authorized signatories along with valid identity proof.

Surge of unclaimed deposits

As of December 2021, among all scheduled commercial banks, public sector banks, due to their large market share, contributed 83.01 per cent of total unclaimed deposits, followed by private sector banks with 11.48 per cent, regional rural banks with 3.14 per cent, foreign banks with 2.35 per cent, small finance banks with 0.02 per cent and local area banks with a meagre 0.003 per cent. Though regional rural banks, small finance banks and local area banks generate unclaimed deposits, the data of these banks regarding unclaimed deposits was only made available by the RBI after 2017. Therefore, the further analysis of this study does not include these banks.

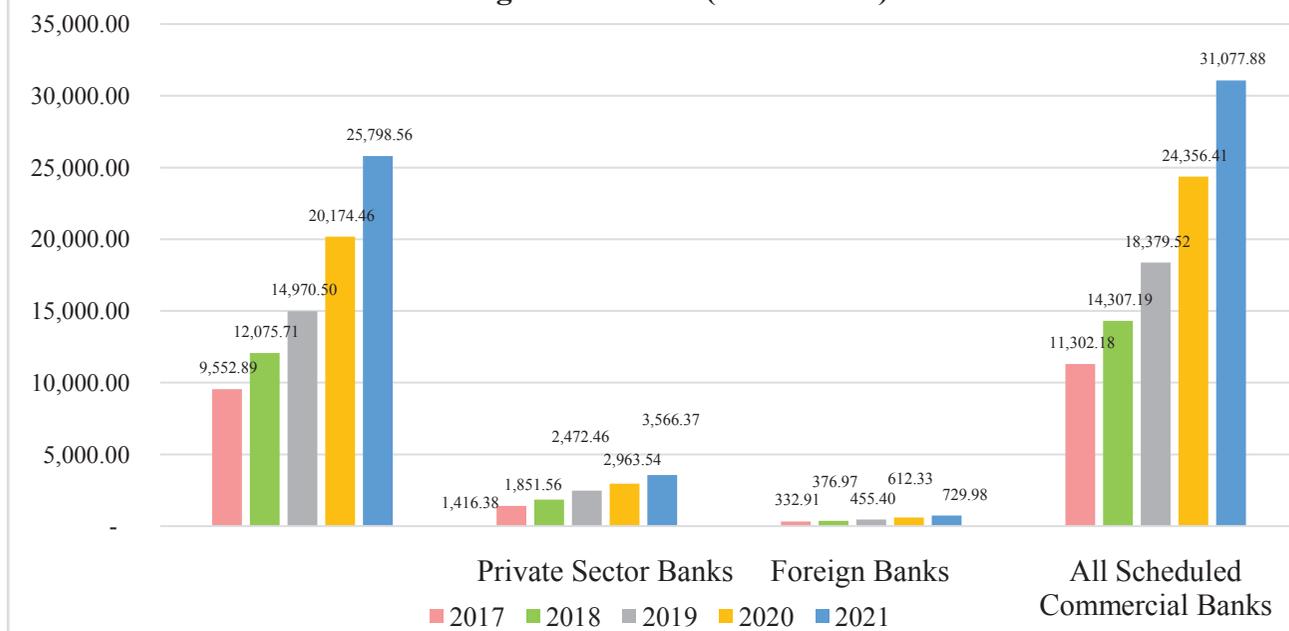
Figure 1: Share of different banks in total unclaimed deposits as of 2021



Source: Unclaimed Deposits with Scheduled Commercial Banks as at the end of December 2021, Reserve Bank of India.

In order to protect the interests of depositors, nominees and legal heirs, the RBI and banks frequently organizes public awareness campaigns. However, despite these efforts, the volume of unclaimed deposits continues to increase in scheduled commercial banks.

Figure 2: Total unclaimed deposits in scheduled commercial banks during 2017 to 2021 (in Rs. crore)

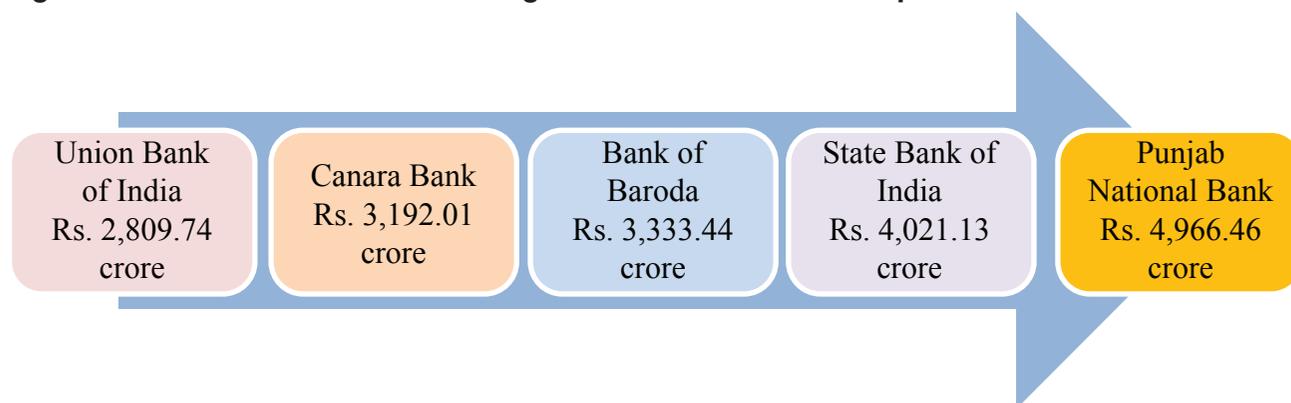


Source: Unclaimed Deposits with Scheduled Commercial Banks as at the end of December (2017-2021), Reserve Bank of India.

Over the past five years, the total amount of unclaimed deposits in public sector banks surged from Rs.9,552.89 crore in 2017 to Rs.25,798.56 crore in 2021, a rise of 1.7 times. Similarly, private sector banks witnessed 1.52-fold increase in their total unclaimed deposits, generating Rs.3,566.37 crore in 2021 compared to Rs.1,416.38 crore in 2017. Foreign

banks also experienced a similar trend, with their total unclaimed deposits climbing from Rs.332.91 crore in 2017 to Rs.729.98 crore in 2021, an increase of 1.19 times. This escalating pattern of unclaimed deposits is evident across all scheduled commercial banks, with 1.75-fold increase from Rs.11,302.18 crore in 2017 to Rs.31,077.88 crore in 2021.

Figure 3: Public sector banks with huge volume of unclaimed deposits as of 2021



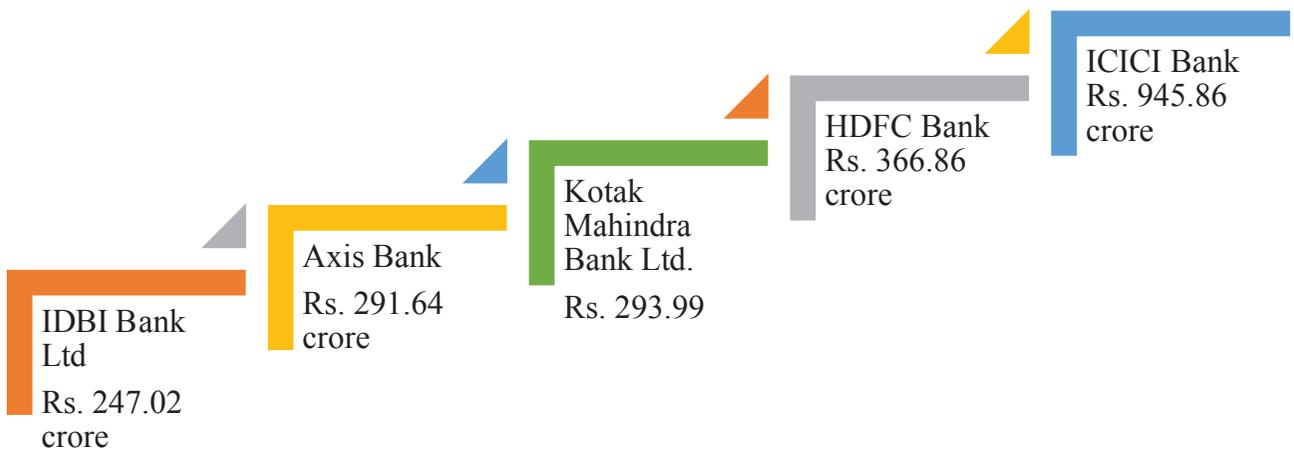
Source: Unclaimed Deposits with Scheduled Commercial Banks as at the end of December 2021, Reserve Bank of India.

As of December 2021, the top five public sector banks with a huge volume of unclaimed deposits, as depicted in Figure 3, were Punjab National Bank with Rs.4,966.46 crore, State Bank of India with Rs.4,021.13 crore, Bank of Baroda with Rs.3,333.44 crore, Canara Bank with Rs.3,192.01 crore and Union Bank of India with Rs.2,809.74 crore.

Moreover, as per the information available with the

RBI about unaudited balances as of February 2023, SBI has the highest amount of unclaimed deposits of Rs.8,086 crore, followed by Punjab National Bank with Rs.5,340 crore, Canara Bank with Rs.4,558 crore, Bank of Baroda with Rs.3,904 crore and Union Bank of India with Rs.3,177 crore. As a result, public sector banks have collectively transferred Rs.35,012 crore of unclaimed deposits to the RBI (Kumar, 2023).

Figure 4: Private sector banks with huge volume of unclaimed deposits as of 2021

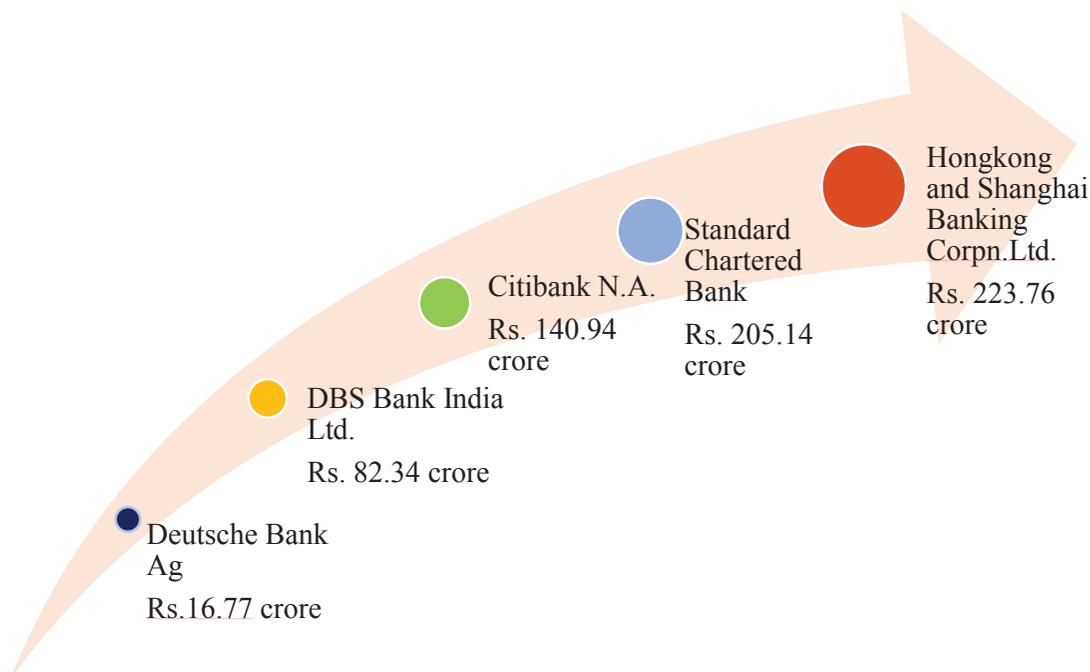


Source: Unclaimed Deposits with Scheduled Commercial Banks as at the end of December 2021, Reserve Bank of India.

As observed in Figure 4, among private sector banks as of December 2021, the highest amount of unclaimed deposits was held by ICICI Bank with Rs.945.86 crore, HDFC Bank with Rs.366.86 crore,

Kotak Mahindra Bank Ltd. with Rs.293.99 crore, Axis Bank with Rs.291.64 crore and IDBI Bank Limited with Rs.247.02 crore.

Figure 5: Foreign banks with huge volume of unclaimed deposits as of 2021



Source: Unclaimed Deposits with Scheduled Commercial Banks as at the end of December 2021, Reserve Bank of India.

Similarly, as indicated in Figure 5, among foreign banks, the top five banks with huge volumes of unclaimed deposits are Hongkong and Shanghai Banking Corporation Ltd. with Rs.223.76 crore, Standard Chartered Bank with Rs.205.14 crore, Citibank N.A. with Rs.140.94 crore, DBS Bank India Ltd. with Rs.82.34 crore and Deutsche Bank AG with Rs.16.77 crore.

Table 1: Unclaimed deposits with public sector banks at the end of December

(Amount in Rs. crore)

Year	Current Account			Savings Account			Fixed Deposits			Other Deposits			Total Unclaimed Deposits	
	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding
	2017	517,281	529.13	5.54	22,578,648	6,505.25	68.10	1,038,680	914.87	9.58	6,404,509	1,543.02	16.15	30,539,118
2018	707,562	608.68	5.04	32,065,454	8,169.14	67.65	1,244,805	1,100.33	9.11	8,395,954	2,134.12	17.67	42,413,775	12,075.71
2019	786,366	666.12	4.45	39,812,066	10,118.43	67.59	1,336,436	1,270.94	8.49	11,649,329	2,830.74	18.91	53,584,197	14,970.50
2020	1,172,464	1,037.84	5.14	50,747,166	13,994.68	69.37	2,714,981	1,766.15	8.75	13,332,811	3,334.09	16.53	67,967,422	20,174.46
2021	1,434,182	1,340.00	5.19	61,783,436	18,276.02	70.84	1,754,468	1,699.23	6.59	16,534,529	4,447.69	17.24	81,506,615	25,798.56

Source: Unclaimed Deposits with Scheduled Commercial Banks as at the end of December (2017- 2021), Reserve Bank of India.

Unclaimed deposits in different types of accounts

As of 2021, the unclaimed deposits in savings accounts within public sector banks reached a staggering sum of Rs.18,276.02 crore, originating from a substantial count of 61,783,436 accounts.

This alarming figure represented a significant 70.84 percent of the overall unclaimed deposits. Additionally, other deposits accumulated unclaimed deposits worth Rs.4,447.69 crore from 16,534,529

accounts, constituting 17 percent of the total unclaimed deposits. In comparison, the unclaimed deposits within fixed deposits and current accounts were relatively lower. Fixed deposits contributed

6.59 percent, amounting to Rs.1,699.23 crore from 1,754,468 accounts, while current accounts contributed 5.19 percent, amounting to Rs.1,340 crore from 1,434,182 accounts.

Table 2: Unclaimed deposits with private sector banks at the end of December														
Year	(Amount in Rs. crore)													
	Current Account			Savings Account			Fixed Deposits			Other Deposits			Total Unclaimed Deposits	
	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding
2017	701,533	321.47	22.70	2,600,727	846.13	59.74	161,019	156.26	11.03	449,881	89.66	6.33	3,913,160	1,416.38
2018	980,107	406.71	21.97	3,369,244	1,104.32	59.64	199,037	195.11	10.54	581,539	139.81	7.55	5,129,927	1,851.56
2019	1,244,890	482.67	19.52	4,754,370	1,500.58	60.69	226,099	224.93	9.10	865,196	217.11	8.78	7,090,555	2,472.46
2020	1,481,629	575.22	19.41	6,015,869	1,871.21	63.14	242,690	243.74	8.22	1,127,144	270.15	9.12	8,867,332	2,963.54
2021	1,783,927	669.27	18.77	7,408,496	2,238.17	62.76	258,192	274.47	7.70	1,458,481	383.26	10.75	10,909,096	3,566.37

Source: Unclaimed Deposits with Scheduled Commercial Banks as at end December (2017- 2021), Reserve Bank of India.

Unclaimed deposits in private sector banks as of 2021 witnessed a significant contribution from savings accounts, constituting a notable proportion of 62.76 percent, amounting to Rs.2,238.17 crore, originating from 7,408,496 accounts. Furthermore, current accounts made a noteworthy impact, accounting for 18.77 percent, with a total of Rs.669.27 crore spread

across 1,783,927 accounts. Other deposits also added to the growing unclaimed deposits, contributing 11 percent, equivalent to Rs.383.236 crore, through 1,458,481 accounts. Even fixed deposits were not exempt from this trend, contributing 7.70 percent or Rs.274.47 crore, through 258,192 accounts.

Table 3: Unclaimed deposits with foreign banks at the end of December														
Year	(Amount in Rs. crore)													
	Current Account			Savings Account			Fixed Deposits			Other Deposits			Total Unclaimed Deposits	
	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding
2017	62,144	56.75	17.05	103,614	123.50	37.10	6,372	48.94	14.70	134,604	103.59	31.12	306,734	332.91
2018	72,510	62.67	16.63	121,970	153.25	40.65	7,109	57.38	15.22	174,624	103.58	27.48	376,213	376.97
2019	79,058	92.41	20.29	130,472	182.15	40.00	7,319	57.75	12.68	235,243	122.95	27.00	452,092	455.40
2020	91,500	111.84	18.26	217,667	258.80	42.27	36,403	86.56	14.14	315,983	154.20	25.18	661,553	612.33
2021	89,047	136.53	18.70	275,629	329.15	45.09	36,364	89.07	12.20	380,940	174.78	23.94	781,980	729.98

Source: Unclaimed Deposits with Scheduled Commercial Banks as at end December (2017- 2021), Reserve Bank of India.

In the context of foreign banks, the prominence of unclaimed deposits in savings accounts was relatively lower compared to public and private sector banks. However, a significant surge of 45.09 percent, equivalent to Rs.329.15 crore, emerged from 275,629 savings accounts. Similarly, other deposits made a noteworthy impact, accounting for 24 percent and totaling Rs.174.78 crore across 380,940 accounts.

Concurrently, current accounts contributed 18.70 percent, with Rs.136.53 crore stemming from 89,047 accounts. The remaining 12.20 percent of the total unclaimed deposits can be attributed to fixed deposits, amounting to Rs.89.07 crore across 36,364 accounts. This distribution underscores the diverse sources of unclaimed deposits in foreign banks as of 2021.

Table 4: Unclaimed deposits with all scheduled commercial banks at the end of December														
Year	(Amount in Rs. crore)													
	Current Account			Savings Account			Fixed Deposits			Other Deposits			Total Unclaimed Deposits	
	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding	Proportion	No. of Accounts	Amount Outstanding
2017	1,280,958	907.34	8.03	25,282,989	7,474.89	66.14	1,206,071	1,120.07	9.91	6,988,994	1,736.27	15.36	34,759,012	11,302.18
2018	1,760,416	1,078.10	7.54	35,571,198	9,429.07	65.90	1,452,108	1,352.87	9.46	9,174,416	2,378.02	16.62	47,958,138	14,307.19
2019	2,135,899	1,248.39	6.79	47,458,875	12,179.41	66.27	1,686,114	1,599.57	8.70	12,858,698	3,220.38	17.52	64,139,586	18,379.52
2020	2,775,610	1,734.91	7.12	60,405,518	16,573.72	68.05	3,160,835	2,169.17	8.91	4,992,886	3,832.68	15.74	81,334,849	24,356.41
2021	3,348,170	2,161.97	6.96	74,495,038	21,561.60	69.38	2,241,006	2,156.28	6.94	8,647,566	5,160.29	16.60	98,731,780	31,077.88

Source: Unclaimed Deposits with Scheduled Commercial Banks as at end December (2017- 2021), Reserve Bank of India.

In the realm of scheduled commercial banks, a noteworthy observation emerges as of 2021, savings accounts played a dominant role in generating more than half of the total unclaimed deposits. These accounts accounted for a substantial 69.38 percent, amounting to a significant sum of Rs.21,561.60 crore spread across 74,495,038 savings accounts. Furthermore, a significant contribution of Rs.5,160.29 crore, constituting 17 percent, stemmed from 18,647,566 other deposits. The contributions from current accounts and fixed deposits were relatively similar, with current accounts representing 6.69 percent and totaling Rs.2,161.97 crores across 3,348,170 accounts, while fixed deposits constituted 6.94 percent, amounting to Rs.2,156.28 crores through 2,241,006 accounts. This pattern aligns with that of public sector banks, reflecting their sheer magnitude in the landscape of scheduled commercial banks.

The rise in unclaimed deposits can be attributed to two primary factors. Firstly, it occurs when depositors choose not to close their savings or current accounts that they no longer intended to use. Secondly, it arises when depositors fail to submit redemption claims for fixed deposits that have reached maturity. Additionally, there are instances where accounts belong to deceased depositors, and the nominees or legal heirs do not come forward to make a claim with the relevant bank(s). Given these circumstances, RBI's recent initiatives gain prominence in the settlement of unclaimed deposits.

Conclusion and Implications

The findings of the study clearly indicate that regardless of the type of deposit account or bank sector, the

volume of unclaimed deposits is on the rise, paralleling the growth of overall deposits. These numbers highlight the urgent necessity for prompt remedial actions to address this pressing issue. Recognizing the gravity of the situation, RBI has appropriately acknowledged the challenge surrounding deposit settlement and directed banks to undertake suitable initiatives through the "100 Days 100 Pays" campaign. The RBI's introduction of a centralized portal will further simplify the process for deposit holders and their legal heirs, enabling them to search and track unclaimed deposits across multiple banks from a single access point, eliminating the need to navigate individual bank websites.

The impact of the RBI's initiatives on safeguarding the interests of deposit holders will become evident upon their implementation. Not only do the settlements of unclaimed deposits benefit the deposit holders, but they also yield advantages for the banks. By proactively taking steps in the settlement of unclaimed deposits, banks not only reduce costs and risks associated with such deposits but also demonstrate an unwavering commitment to customer service. This approach fosters trust and loyalty among existing customers and has the potential to attract new customers who value the banks' dedication to their financial well-being.

This can further be reinforced if there be a stipulation by RBI that before transferring these unclaimed deposits to DEAF fund, banks should sincerely explore and create record of such efforts to locate such depositors and/or their legal heirs across the country and also overseas with the help of agencies

like census officials, other Government machineries, NGOs and Indian Missions abroad.

Furthermore, considering the vital role banks play in the economy, returning unclaimed funds to their rightful owners contributes to the overall financial health of individuals and communities. Consequently, in addition to fulfilling regulatory requirements, the settlement of unclaimed deposits showcases a bank's commitment to ethical business practices and underscores their dedication to the welfare of society as a whole.

Scope for further research

Subsequent research can shed light on the magnitude of unclaimed deposits across various bank sectors and different types of accounts in the upcoming years, thereby, assessing the efficacy of recent initiatives introduced by the RBI. This includes evaluating the impact of initiatives like the "100 Days and 100 Pays" campaign and the newly launched web portal. Through comprehensive studies, it will be possible to gauge whether banks are embracing

the RBI's instructions with the intended commitment to safeguard the interests of deposit holders. Furthermore, future research can explore alternative strategies to enhance the settlement process of unclaimed deposits, in case the recent RBI initiatives prove to be ineffective.

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