



## Unclaimed Deposit And Pathways For Public Sector Banks

Puneet Kumar

Senior Manager

Union Bank of India,

Union Learning Academy, Gurgaon, India

**Abstract:** This Research aims to explore the rising amount of unclaimed deposits and the factors responsible for the higher concentration of Unclaimed deposits in Public Sector Banks in India. Reserve Bank of India has taken steps for the reduction of unclaimed deposits in public sector banks but the same is not showing any declining trend. The expected outcome of this research is to provide banks with practical solutions to reduce the ever-rising amount of unclaimed deposits.

**Index Terms** - Unclaimed Deposits, DEAF, Reserve Bank of India, Udgam Portal

### I. INTRODUCTION

The banking system plays a vital role in the expansion of economic activities in any country. It accepts deposits for business purposes and holds that money in trust on behalf of depositors. It becomes the bank's responsibility to return the unclaimed deposits to the rightful owners/claimants. Presently Public Sector Banks and the Reserve Bank of India (RBI) are taking multiple initiatives for identifying and returning unclaimed deposits. This research aims to understand efforts and drives undertaken by public sector banks to return unclaimed deposits to their rightful owners/claimants.

During the last few years, there has been an unparalleled increase in the unclaimed deposits held with public sector banks in India. The total unclaimed deposit put together for all the public sector banks stands at ₹25798 Cr for the period ending 31.12.2021, which has risen sharply in recent years. Below is the detail of unclaimed deposits of public sector banks transferred to the Depositor Education and Awareness Fund.

Table 1: Unclaimed Deposits with Public Sector Banks

(Rs. in Crore)

As on	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Unclaimed Deposits with Public Sector Banks	7526	9552	12076	14970	20174	25798
Growth (%)	NA	27	26	24	35	28
Unclaimed amount in SB A/c of Public Sector Banks	5088	6505	8169	10118	13994	18276
Growth	NA	28	26	24	38	31
Unclaimed amount in CD A/c of Public Sector Banks	425	529	608	666	1037	1340
Growth (%)	NA	24	15	9	55	29
Unclaimed amount in Other Deposit of Public Sector Banks	1957	2457	3234	4101	5100	6146
Growth (%)	NA	26	32	27	24	21

Source: RBI report on Unclaimed deposits with commercial Banks

As per the above table, there is a persistent increase in the unclaimed deposit amount with the public sector banks, and as of Dec-2021 has seen an increase of 28% in unclaimed deposits over the previous year. The growth is supported by similar growth in Unclaimed deposits in Saving and Current.

The increase in the amount of unclaimed deposits is supported by multiple causes which include ignorance of customers/account holders towards providing updated contact details at regular intervals, non-updation of nominee details while opening accounts, unawareness among the legal heirs about account details of the deceased.

Given the increasing trend in the amount of unclaimed deposits and to control the amount under unclaimed deposits, the Reserve Bank of India (RBI) has taken various initiatives including the recently launched Udgam Portal and 100 days and 100 pays campaign. Udgam Portal is an effort by RBI to make it easier for depositors to locate their unclaimed deposits kept with banks. To complement the efforts RBI has launched 100 days and 100 pays campaign which intends to trace and settle the top 100 unclaimed deposits in every bank across all districts within 100 days.

## **II. Literature Review**

We have explored the findings of previous research works conducted in this particular field. However, not much work has been done in this field of unclaimed deposits of public sector banks.

## **III. Statement of Research Problem**

During the last two decades, the Banking system in India has undergone major technological changes like the implementation of Core Banking Solutions in all the banks, stringent drives for updating know your customer guidelines have resulted in the enriched quality of data with banks.

Banking is the business of protecting money deposited by the customer and returning it when he needs the funds. During this process of business and trust, banks get unclaimed deposits due to various factors, which should be returned to their rightful owners and claimants. Thus, this study aims to examine “What factors are responsible for the higher concentration of Unclaimed deposits in Indian Public Sector Banks during 2017-2023 ?”

## **IV. Research objectives**

1. Finding factors contributing to the increase in unclaimed deposits in Public Sector Banks
2. Discovery of hurdles faced by the public Sector Branch while implementing the existing Strategies
3. Comparative Analysis of alternate PSBs about the amount held under unclaimed deposit
4. Based on the Analysis suggesting strategies for PSBs to reduce the amount of Unclaimed Deposits.

## **V. Methodology**

After the amalgamation of public sector banks in the year 2020, There are 12 public sector banks in India, viz. State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, Union Bank of India, Indian Bank, Bank of India, Central Bank of India, Punjab & Sindh Bank, UCO Bank, Indian Overseas Bank and Bank of Maharashtra. The Study will focus on these public-sector banks.

## **VI. Data Collection**

Research is based on Secondary Data. Identification of major factors that contribute to unclaimed deposits, hurdles faced by banks in implementing the existing strategies/ practices, and the use of technology and innovation to deal with inoperative accounts and unclaimed deposits in banks.

For our objective of comparative analysis among the public sector banks, we will use the data of unclaimed deposits from 2005 to 2021 for savings accounts, current accounts, fixed, and other deposits.

The Secondary data were collected primarily from the Reserve Bank of India and the annual reports of banks, RBI Bulletins, and banks' websites will be considered.

## VII. Analysis and Implementation

Unclaimed deposits are becoming increasingly ubiquitous in the balance sheet of banks and this amount has burgeoned in recent years. Banks in India have Total unclaimed deposits of Rs 31,077 Crore as of December 2021. Below is the table showing the annual growth in the unclaimed deposits since the year 2017.

Rs in Crore					
Unclaimed deposits	2017	2018	2019	2020	2021
Amount	1,131	14,307	18,379	24,356	31,077
Growth	--	1165%	28%	33%	28%

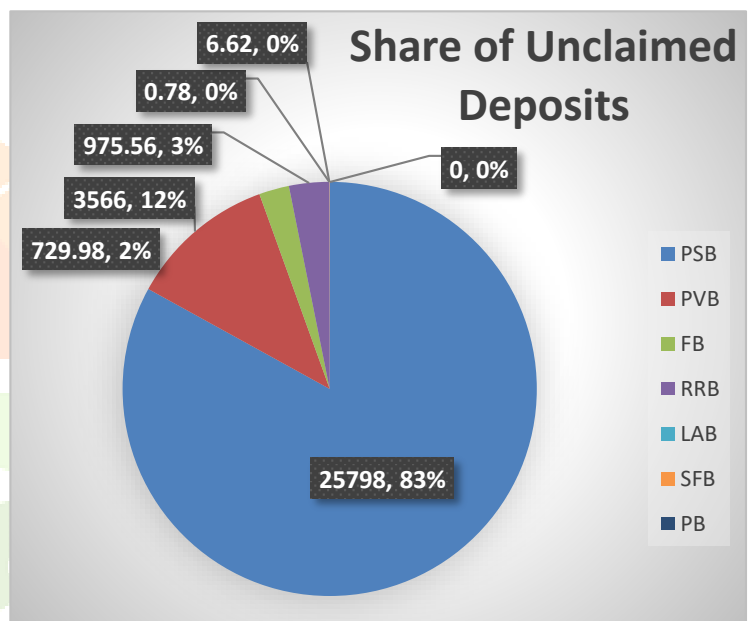
Source: RBI report on Unclaimed deposits with commercial Banks

In the year 2018 growth in Unclaimed deposits was the highest, registering a growth of 1165% over the previous year's unclaimed deposit amount. One possible reason could be due to the implementation of the Core Banking Solution in Indian Banks between 2005 and 2008. During this period almost all the banks successfully added their branch network to the core banking system. Below we have calculated the bank-wise growth in the unclaimed deposits of the Bank.

### Growth in Unclaimed Deposits of Public Sector Bank vis-a vis Private Banks

Public Sector Banks hold a larger chunk of unclaimed deposits in comparison to Private Banks. As of Dec 2021, Out of Rs 31,077 Crore, 12 public sector banks together hold unclaimed deposits worth ₹ 25,798 crores, and private banks (including Foreign Banks (FB), Payment Banks (PB), Regional Rural Banks (RRB), Local Area Banks (LAB), and Small Finance Banks (SFB)) have a share of ₹ 5279 Crore. Hence there is a greater need to manage this rampant growth of unclaimed deposits in public sector banks.

Unclaimed deposits of public sector banks have grown at a symmetrical rate from 2017 to 2021. The table below exhibits the growth of unclaimed deposits in public sector Banks. During the period growth in unclaimed deposits is in the range of 25 to 35% which is on the higher side and displays the unbridled growth in unclaimed deposits.



Source: RBI report on Unclaimed deposits with commercial Banks sector banks.

**Table 2: Growth in Unclaimed Deposits of Public Sector Banks**

Unclaimed Deposits	2017	2018	2019	2020	2021
Total	1416.38	1851.56	2472.46	2963.54	3566.37
Growth	NA	31%	34%	20%	20%

Source: RBI report on Unclaimed deposits with commercial Banks

**Table 3: Growth in Unclaimed Deposits of Private Banks**

Unclaimed Deposits	2017	2018	2019	2020	2021
Total	9552.89	12075.71	14970.50	20174.46	25798.56
Growth	NA	26%	24%	35%	28%

Private Banks had a very lesser share of unclaimed deposits in comparison to Public Sector Banks, In the year 2018 & 2019 growth was on the higher side and seems more managed and controlled from the year 2020 onwards. A more disciplined approach by Public Sector Banks can help in restraining the growth of Unclaimed deposits. The below table displays the year-wise growth rate of unclaimed deposits in Public Sector Banks.

**Table 4: Growth (%) in Unclaimed deposits of Public Sector Banks**

Bank	Growth in Unclaimed Deposits			
	2018	2019	2020	2021
BANK OF BARODA	14%	77%	99%	16%
BANK OF INDIA	50%	57%	27%	19%
BANK OF MAHARASHTRA	29%	23%	52%	21%
CANARA BANK	18%	15%	72%	14%
CENTRAL BANK OF INDIA	75%	235%	42%	48%
INDIAN BANK	13%	13%	130%	24%
INDIAN OVERSEAS BANK	52%	11%	18%	17%
PUNJAB AND SIND BANK	26%	14%	11%	74%
PUNJAB NATIONAL BANK	-32%	-18%	312%	74%
STATE BANK OF INDIA	71%	52%	9%	12%
UCO BANK	52%	191%	508%	42%
UNION BANK OF INDIA	16%	18%	66%	30%

Source: RBI report on Unclaimed deposits with commercial Banks

During the period beginning from 2018 to 2021, We can see that there was a sudden spike for the above-mentioned banks, which aggravated the problem of unclaimed deposits for the bank. Punjab National Bank in the year 2018 and 2019 was able to reduce the amount of unclaimed deposits.

### VIII. Key Findings

We have listed some of the expected factors leading to a higher accumulation of unclaimed deposits in Public Sector Banks:

1. **High share of Legacy Accounts with Public Sector Banks:** Until 1994, the Banking industry in India was dominated by public sector banks and they held the larger share of public money. This is one of the reasons, for the high share of unclaimed deposits lying with the public sector banks.
2. **Less awareness about the nomination process:** Nomination is a tool to save legal heirs from going through a long and tedious process to receive the deposits of the deceased person. Less awareness among the depositors of the public sector banks may be a possible reason leading to higher amounts of unclaimed deposits.
3. **Lack of financial literacy:** RBI and PSBs are constantly engaged in upgrading the financial literacy of the public. Lesser awareness of financial laws and processes makes them vulnerable to exploitation.
4. **Meticulously following Know Your Customer guidelines:** RBI introduced KYC guidelines in the year 2005 to regularly update the contact details of the customers of banks in India. Banks are meticulously following the guidelines but still, some customers are not updating their contacts and forgetting to register nominees in their deposits.
5. **Propagation of easier ways to search and track unclaimed deposits:** All public sector banks have provided the list of customers having unclaimed deposits on their official website. The adoption of effective strategies for propagating the details of unclaimed deposits among the customers and the public will help the rightful owners and claimants to make the claims with the respective bank.
6. **Awareness among the Staff:** Returning unclaimed deposits to the claimant is one of the responsibilities of the bank and the staff working there. Awareness among the staff members of banks can be a key driver in reducing unclaimed deposits.
7. **Drives organized by Banks:** Organising special drives with a determined focus on reducing the amount of Unclaimed deposits and number of accounts by the management of the bank.

## **IX. Limitations**

Data is required on various factors that we are not able to find and to draw the relevant hypothesis. Due to the unavailability of data research work could not incorporate the impact of the following variable on unclaimed deposits. These factors are mentioned below:

1. Effect of Income
2. Consequence of literacy
3. Effect of Mode of Receipt of Income
4. Result of facilities availed in saving account
5. Role of Gender
6. Consequence of Nature of occupation
7. Limited empirical work done in the field of unclaimed deposits.

This issue of unclaimed deposits is a peculiar Indian problem and limited empirical evidence exists of similar problems globally.

## **X. Recommendations**

Based on our analysis of the secondary data, the following recommendations are recommended to reduce the amount of unclaimed deposits in Indian Banks, esp. Public Sector Banks.

1. **Making the nomination Process Easier:** Banks are holding the unclaimed deposit on the behalf of right claimant of the deposit, the absence of nomination details in the account, deprives the bank of their right to settle the claim easily in favor of the nominee. Making the nomination process easier will encourage the deposit holders who have not updated the nomination details at the time of account opening to update the nomination details.
2. **Increasing Financial Literacy:** Financial literacy in India is still growing and the government is taking multiple steps to increase financial literacy in India. Less awareness among banking customers about their rights and responsibilities. Public Sector Banks jointly with Private Banks should take innovative steps viz. camps for financial literacy, imparting knowledge through branches, organizing webinars, distribution of the financial newsletter,
3. **Publicize UDGAM Portal:** Reserve Bank of India through its subsidiary Reserve Bank Information Technology Pvt Ltd (ReBIT), Indian Financial Technology & Allied Services (IFTAS) and Collaborating Institutes/Banks has launched UDGAM (Unclaimed Deposits Gateway to Access Information) Portal. Portal contains details of unclaimed deposits with the banks/institutions and allows users to search for their unclaimed deposits across multiple banks in one place.
4. **Data in Enrichment in Existing Accounts:** The Prevention of Money Laundering Act 2002 (PMLA) mandates banking institutions in India to update the KYC details of their customer at regular intervals. Constantly updating customer contact details in the banking record helps the bank in tracing/contacting the customers.
5. **Promoting the details placed on the bank website:** Banks widely use their websites to help depositor search their deposit details and submit claims. All Banks in India have placed information related to unclaimed deposits on their websites. Less awareness among depositors about the unclaimed deposit details kept on the Bank's websites causes fewer applications and the amount goes on increasing instead of decreasing.

## **XI. Key Takeaways/Conclusion**

Research on the perpetually growing unclaimed deposits in public sector banks intends to find the reasons behind such growth in unclaimed deposits. PSBs hold a share of 59% of the total deposits collected. Hence the study of unclaimed deposits in public sector banks is pivotal for the resolution of the problem at the national level. These reasons range from financial awareness among customers to ignorance of depositors about balances kept in their inoperative savings and current accounts.

Making people aware of unclaimed deposits is the key to solving this problem. A comprehensive strategy curated to make depositors aware of unclaimed deposits, imparting knowledge about the importance of

nomination, KYC at regular intervals, and the Udyam portal of RBI will certainly help banks in reducing the growing amount of unclaimed deposits.

**References:**

Reserve Bank of India,  
Annual reports of Public Sector Banks and Private Banks,  
Data available on Internet,  
Google searches,

