

An Empirical study and analysis of Investors Unclaimed Money, Volume, Reasons and Corrective Measures.

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Abstract

Imagine some body shares with you the information that Rs. 1, 00,000 Cr is seating Idle in various bank Accounts, DMAT Accounts, Insurance Accounts and nobody is coming to ask for that money (that too pure white money). What will be your response? This research focusses on such kind of Unclaimed Money lying Idle in various financial institutions. Researcher has conducted in-depth study to identify reasons for unclaimed money, volume and growth of unclaimed deposits. The research aims to find out the corrective as well as preventive measures to avoid such kind unclaimed financial savings / deposits / dividend in future.

Keywords: Unclaimed Money, Nominee, DEAF, IEPF, LIC, Banks, Mutual Funds, Refund

Introduction:

Strangely people easily hide their black money by finding either loopholes in legal system or money routing or shell company or long cash trail of financial transactions but hard earned white money is legally lying idle in numerous accounts which even their family members are unaware. Researcher spent considerable amount of time to study, understand and analyse (personally met Managers of Mutual fund Companies, Banks, Insurance companies and Investment Advisors) why and what are the causes of such a huge pile of Unclaimed Amount in our nation.

First reason is forgetting to write (or wilfully not writing) the name of Nominee. In some cases, Investors and Depositors keep the nominee name blank or write any third person name just for the sake of filling the column. Second, Opening accounts without informing or sharing with family members. Family members are not even aware about the financial transactions that has happened over a period. Problem comes to fore when the individual or Investor or depositor who has opened the account dies. Since, none of the family members is aware about the investments it becomes UNCLAIMED. In few cases, people give wrong names as nominee in Provident Fund Accounts too. The major culprit or careless group of such investors are coming from Middle Class and their family members gets tears in the eyes while claiming such money from various accounts across different financial institutions.

Literature review:

50,000 inoperative (unclaimed) accounts from Nov. 2020 to May 2022 were remitted to DEAF (Depositor Education and Awareness Fund), whereas from July 2016 to Oct. 2020 10, 47,977 unclaimed accounts were transferred to DEAF. [1]

In case of Mutual fund, Unclaimed Amount defined as any amount that remains unpaid to original investor beyond the scheme's validity period. [7]

Following table includes the details of Unclaimed Amount from various investment products

Type of Investment Product	Amount in Rs. (Crores)
EPF	26,497
Life Insurance Companies	25,000

Banks	35,012
Mutual Funds	24,000
IEPF	3,460
IT refund	2,000

[2]

LIC's Rs. 21,336 crore (until Dec. 2021) unclaimed policy fund amount is nearly twice the expenditure of Bangalore City Civic budget for the year 2022-23. It can fund our two spacecraft mission-carrying human.

Bank Deposits have shown positive progress and reduced their unclaimed deposits to Rs. 35,000 crore over 10.2 crore accounts from Rs. 48,000 crore last year. [9]

As of Feb. 23, the major banks having significant chunk of unclaimed deposits are State Bank of India (Rs. 8,086 Crore) and Punjab National Bank (Rs. 5,340 Crore).

Research Methodology:

The researcher has Used Secondary data to analyse and interpret the statistical information available on Unclaimed Money. The researcher met 25 Bank Managers personally to study and analyse the Unclaimed Deposits Volume in India for the awareness of Investors and their Nominee.

The Researcher has used Statistical and Content Analysis technique of research in this article. Statistical technique used is ANOVA and tool used is MS Excel.

Hypothesis Testing and Results:

Ho= There is no difference between Unclaimed Money of Banks, Insurance and IEPF

Ha= At least one of them is different.

Year	Banks	LIC	IEPF
2018	₹14,310.00	₹10,509.00	₹9,568.00
2019	₹18,380.00	₹13,844.00	₹11,372.00
2020	₹24,360.00	₹16,053.00	₹9,625.00
2021	₹48,000.00	₹18,495.00	₹18,433.00
2022	₹35,000.00	₹21,500.00	₹50,000.00

ANOVA - Single Factor

Alpha	0.05					
Groups	Count	Sum	Mean	Variance		
Column 1	5	140050	28010	185552400		
Column 2	5	80400.35	16080.07	17811612.92		
Column 3	5	98998.2	19799.64	298289888.19		
Source of Variation	SS	df	MS	F	P-value	F critical
Between Groups	372614070.2	2	186307035.1	1.11	0.36	3.89
Within Groups	2006615604.4	4	167217967.04			
Total	2379229674.6	4	14			

Since, $F\text{-Value} > F\text{-Critical}$ and $P\text{-value}$ is more than the value of α , We can Reject Null Hypotheses and accept Alternate hypothesis.

Results and Discussion:

As per the report of RBI, Unclaimed deposits reached to Rs. 48,262 Crores in the year 2021-22 from Rs. 39,264 Crores in the year 2020-21 (increased by 22.91%). Majority of these unclaimed deposits are coming from Tamil Nadu, Punjab, Gujarat, Maharashtra, Bengal, Karnataka, Bihar, Telangana and Andhra Pradesh.

Life Insurance and Non-Life Insurance Deposits (Premium) have reported Rs. 22,043 Crores and Rs. 1,242.81 Crores respectively until 31 March 2021. [5]

LIC Unclaimed Money						
Year	2018	2019	2020	2021	2022 (Estimated)	CAGR
Amount(in Rs. Crores)	₹10,509	₹13,843.7	₹16,052.65	₹18,495	₹21,500	15.39%
		31.73%	15.96%	15.21%	16.25%	

It can be clearly seen from above table that even Unclaimed Money is rising on consistent basis over a period last 5 years. Highest rise in the year 2019 with 31.73% compared to the previous year 2018. CAGR of 15.39% from base year indicates that it has grown multi-fold (more than double) in last 5 years of time.

Unclaimed shares figure is also quite big with 117 Crore shares transferred to Investor Education and protection fund (IEPF) worth Rs. 50,000 Crores [8]. SEBI has reported Rs. 1590 crores deposits in Mutual Funds until 31 March 2021.

IEPF Unclaimed Money						
Year	2018	2019	2020	2021	2022 (Est.)	CAGR
Amount(in Rs. Crores)	₹9,568.00	₹11,371.80	₹9,625.40	₹18,433.00	₹50,000.00	39.20%
		18.85%	-15.36%	91.50%	171.25%	

IEPF Unclaimed Money (Shares Worth) has grown 5 times from base year 2018. In a Single year (from 2021-22 to 2022-23), Unclaimed figure grew by 171.25% (from Rs. 18, 433 to Rs. 50,000 Crores). CAGR of 39.20% gives strong reason to look into settlement of this significant chunk of Unclaimed Money to bring better transparency and build positive confidence among investors.

Unclaimed Bank Deposits						
Year	2018	2019	2020	2021	2022 (Est.)	CAGR
Amount(in Rs. Crores)	₹14,310.00	₹18,380.00	₹24,360.00	₹48,000.00	₹35,000.00	19.59%
		28.44%	32.54%	97.04%	-27.08%	

Scenario in Bank Deposits is also same with Figure of Unclaimed Deposits reaching to Rs. 48,000 Crores in the year 2021 before coming down to Rs. 35,000 Crore in the year 2022-23. CAGR of 19.59% depicts the need of sound administration and regulation to lower down these figure and help the Right Account holder (or Nominee) to receive the unclaimed amount by necessary due diligence.

Conclusion:

Our Finance Ministry has decided to conduct a special drive to find solution to these growing challenges of Unclaimed deposits, Shares, Dividend, Mutual Fund and Insurance policy. The Govt. aims to identify and find out nominee and give them benefit of unclaimed money by using Financial and Legal Regulators. However, All of us (educated and aware citizen of India), have duty to help or guide people whose deposits are stuck in any type of financial product or account. At the same time, sound supervision and monitoring of such accounts (such as being in touch with accounts holders, acknowledgement, nominee details, and smooth transition from 1 generation to next, physical visit) can solve this perennial problem. No Individual should be deprived of their (or parents) right on Hard Earned Money.

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