

What is a Green Deposit?

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What Are Green Deposits?

- Green deposits are **interest-bearing fixed-term deposits** where proceeds are allocated specifically towards **green finance** projects. These deposits are denominated only in **Indian Rupees** as per the **Reserve Bank of India (RBI)** framework.
- **Purpose:** Funds raised through green deposits are directed towards **sustainable and environmentally friendly projects** such as:
 - Renewable energy projects (**solar, wind, biomass, and hydropower**).
 - **Energy efficiency and clean transportation.**
 - **Climate change adaptation** and **sustainable water/waste management.**
 - Development of **green buildings** and **coastal/marine environment projects.**
 - Support for **certified organic farming.**
- **Key features:** Like regular fixed deposits, green deposits offer interest and **fixed tenure.**

- Fund allocation is subject to an annual third-party audit to ensure compliance with green finance norms.
 - Deposits are insured under the **Deposit Insurance and Credit Guarantee Corporation (DICGC)** framework.
 - **Priority Sector Lending (PSL)**: If the green activities/projects financed align with **PSL guidelines**, they can be classified under the **priority sector**.
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Q1: What is the role of DICGC?

The DICGC is a wholly-owned subsidiary of the Reserve Bank of India (RBI) that provides insurance coverage to depositors in case of bank failure. It ensures that depositors receive up to ₹5 lakh per depositor per bank across all types of deposits, including savings, current, recurring, and fixed deposits.

News: [Why green deposits are struggling to take root in India – The Hindu BusinessLine](#)

Source: <https://vajiramandravi.com/current-affairs/green-deposit/>

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