

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
RAJYA SABHA
UNSTARRED QUESTION NO-2148
ANSWERED ON 8TH AUGUST, 2023 / SRAVANA 17, 1945 (SAKA)

INVESTIGATION OF ECONOMIC OFFENDERS

2148. SHRI JAWHAR SIRCAR

Will the Minister of FINANCE be pleased to state:-

(a) the total amounts of write-offs by banks from 2018-19 to 2022-23 due to overt frauds and due to other suspicious practices like asset-stripping and over-invoicing and under-invoicing by promoters, year-wise;

(b) the amount lost in such write-offs by each category of banks, namely, Public sector, private and foreign banks in the last five years, year-wise; and

(c) whether RBI or Government intends to set up independent special oversight or investigative squads to pinpoint modus operandi of offenders and the habitually-manipulative promoters, to prosecute them since amounts involved in these malpractices is huge?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): Reserve Bank of India (RBI) has apprised that information regarding write-offs by banks due to overt frauds and other suspicious practices, like asset-stripping, over-invoicing and under-invoicing by promoters is not maintained by it. However, the details of loans written-off by Scheduled Commercial Banks (SCBs) from FY2018-19 to FY2022-23 are as under –

(Rs in crore)

Financial Year	Amount
2018-19	2,36,265
2019-20	2,34,170
2020-21	2,02,781
2021-22	1,74,966
2022-23	2,09,144

Source: RBI, provisional data for FY2022-23

As per RBI guidelines and policy approved by banks' Boards, non-performing loans, including, *inter-alia*, those in respect of which full provisioning has been made on completion of four years, are removed from the balance-sheet of the bank concerned by way of write-off. Banks write-off NPAs as part of their regular exercise to clean up their balance-sheet, avail tax benefit and optimise capital, in accordance with RBI guidelines

and policy approved by their Boards. Borrowers of written-off loans continue to be liable for repayment and the process of recovery continues. SCBs have recovered an aggregate amount of Rs 1,64,701 crore in written off loans during FY 2018-19 to FY 2022-23.

Further, in order to deter frauds in banking, including those perpetrated by offenders and habitually-manipulative promoters and fraudsters, various mechanisms are in place, which includes, *inter alia*, the following –

- (i) RBI has issued Master Directions on Frauds, which requires banks to report frauds to law enforcement agencies (LEAs), *viz* State Police, Central Bureau of Investigation (CBI), *etc.* for further investigation and appropriate actions.
- (ii) An online searchable database of frauds reported by banks, in the form of Central Fraud Registry, has been set up to enable timely identification, control and mitigation of fraud risk.
- (iii) RBI has issued framework for dealing with loan frauds and red flagged accounts (RFA), requiring banks to classify potential fraud accounts as RFAs based on observation or evaluation of early warning signals noticed.
- (iv) Institution of comprehensive, automated Early Warning Systems (EWS) in PSBs, with ~80 EWS triggers and use of third-party data for time-bound remedial actions.
- (v) RBI has instructed banks to report deficient third-party services (such as legal search reports, property valuers' reports, etc.) and collusion of these service providers with fraudsters to the Indian Banks' Association, which maintains a caution list of such service providers.
- (vi) The Fugitive Economic Offenders Act, 2018 has been enacted to provide for attachment and confiscation of property of a fugitive economic offender.
- (vii) Heads of PSBs have been empowered to issue requests for issuance of Look-Out Circulars.
