

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**RAJYA SABHA**  
**STARRED QUESTION NO. \*94**

ANSWERED ON TUESDAY 29<sup>TH</sup> JULY, 2025 / SRAVANA 7, 1947 (SAKA)

**RISE IN LOAN FRAUDS**

**\*94. SHRI DEREK O' BRIEN:**

Will the Minister of FINANCE be pleased to state:

- (a) the steps being taken by Government to address loan frauds, which account for 92 per cent of the total financial fraud amount according to the RBI Annual Report, 2024-25;
- (b) the amount of loan fraud recovered in Rupee, vis-a-vis the amount defrauded, since 2014, year-wise details for the last three years;
- (c) how Government intends to address the vulnerabilities of Small Finance Banks that have been witnessing rise in frauds, the details thereof; and
- (d) how Government intends to ensure timely reporting of frauds, given that many frauds are reported very late, the details thereof?

**ANSWER**

**FINANCE MINISTER**  
**(SMT. NIRMALA SITHARAMAN)**

(a) to (d): A statement is laid on the Table of the House.

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**Statement referred to in reply to parts (a) to (d) in respect of Rajya Sabha Starred Question No. \*94 for reply on 29.7.2025 regarding Rise in loan frauds asked by Shri Derek O' Brien.**

(a): Comprehensive steps have been taken to keep a check on the banking frauds and to deter fraudsters. Enabled by these, frauds of Rs. 1 lakh and above based on the date of occurrence in All India Financial Institutions (AIFIs) and Commercial Banks, including Small Finance Banks (SFBs) have declined from Rs. 4,893 crore in FY 2023-24 to Rs. 1,037 crore in FY 2024-25, which is the lowest since FY 2015-16.

Steps taken by the Government and the Reserve Bank of India (RBI) over the last few years to prevent and to deter instances of bank frauds, to address issues related to loan defaults and to expedite the investigation of bank fraud cases include, *inter alia*, the following:

- (i) An online searchable database of frauds reported by banks, in the form of Central Fraud Registry, has been set up by the RBI to enable timely identification, control and mitigation of fraud risk.
- (ii) Credit discipline was instilled through—
  - (a) enactment of the Insolvency and Bankruptcy Code; and
  - (b) setting up of the Central Repository of Information on Large Credits (CRILC) by RBI to collect, store and disseminate credit data to lenders.
- (iii) Under the PSB Reforms Agenda, comprehensive and automated Early Warning Systems (EWS) were instituted in PSBs, with ~80 EWS triggers and use of third-party data for time-bound remedial actions in the borrowing accounts to proactively detect stress and in turn reducing slippage into NPAs.
- (iv) The Fugitive Economic Offenders Act has been enacted to provide for measures to deter fugitive economic offenders from evading the process of law in India by staying outside the jurisdiction of Indian courts.
- (v) PSBs have been advised to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than Rs. 50 crore.
- (vi) Prudential Framework for resolution of stressed assets was issued by RBI to provide a framework for early recognition, reporting and time bound resolution of stressed assets, with a build-in incentive to lenders for early adoption of a resolution plan.
- (vii) Banks have been advised by RBI 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.
- (viii) The Indian Cyber Crime Coordination Centre (I4C) has operationalised Citizen Financial Cyber Fraud Reporting and Management System (CFCFRMS) portal for immediate reporting of financial frauds and to stop siphoning-off of funds by the fraudsters. Up to January 2025, more than Rs. 3,919 crore has been saved in more than 11.20 lakh complaints.
- (ix) Cyber Fraud Mitigation Centre (CFMC) has been established at I4C with representatives of major banks, Financial Intermediaries, Payment Aggregators, Telecom Service

Providers, IT Intermediaries and States/UTs Law Enforcement Agencies (LEAs) to work together for immediate action and seamless cooperation to tackle online financial crimes.

- (x) Seven Joint Cyber Coordination Teams (JCCTs) have been formed to foster a close cooperation among LEAs during interstate cybercrime investigations. It focuses on operational cooperation in parallel investigations in various States/UTs.
- (xi) National Cyber Forensic Laboratory has been setup as a facility for forensic analysis and investigation of cybercrime by use of the latest digital technology to support investigations undertaken by LEAs.

(b): From FY 2014-15 till FY 2024-25, an aggregate amount involved in frauds of Rs. 1 lakh and above in each case based on the date of reporting, under the area of operations category 'Advances', in Commercial Banks and AIFIs was Rs. 4,84,795 crore, out of which an aggregate amount of Rs. 32,756 crore has been recovered by them.

Further, year-wise details of frauds in Commercial Banks and AIFIs, in respect of amount involved of Rs. 1 lakh and above in each case and by the date of reporting, under the area of operations category 'Advances', for the last three financial years are as under.

(Amounts in crore Rs.)

Financial Year	Total Amount Involved	Total Amount Recovered
2022-23	17,542	616
2023-24	10,072	562
2024-25	33,148	1,464

Source: RBI

(c) and (d): Based on the date of occurrence, frauds of Rs. 1 lakh and above in SFBs have declined from Rs. 56.49 crore in FY 2023-24 to Rs. 32.87 crore in FY 2024-25. Further, amount involved in such frauds as percentage of gross advances of SFBs was at 0.02% in FY 2023-24 which has declined to 0.01% in FY 2024-25. Also, the comprehensive steps indicated in part (a) above are applicable to SFBs.

As per RBI Master Directions on Fraud Risk Management, all Commercial Banks are required to have in place a Board-approved Policy on fraud risk management, delineating roles and responsibilities of Board / Board Committees and Senior Management. Banks are also required to set-up an appropriate organisational structure for institutionalisation of fraud risk management.

A senior official in the rank of at least a General Manager or equivalent is responsible for monitoring and reporting of frauds. Banks are required to furnish Fraud Monitoring Return (FMR) to RBI in individual fraud cases, irrespective of the amount involved, immediately, but not later than fourteen days from the date of classification of an incident / account as fraud. Banks are also required to immediately report the incidence of fraud to LEAs. Further, banks are also required to examine and fix staff accountability for delays in identification of fraud cases and in reporting to RBI.

Furthermore, the additional highlights of the Master Directions on Fraud Risk Management dated 15.7.2024, *inter alia*, are as follows:

- (i) The Master Directions are made principle-based, strengthen the role of the Board especially of the Special Committee of Board for monitoring of Fraud (SCBMF) in overall governance and oversight of fraud risk management in the Regulated Entities (REs).
- (ii) The framework for Early Warning Signals (EWS) and Red Flagging of Accounts (RFA) has been strengthened. Guiding principles on identification of EWS have been provided, keeping in view the size, complexity, level of operations and risk profile of business activities of different entities.
- (iii) The Risk Management Committee of the Board (RMCB) to oversee the effectiveness of the framework for EWS and RFA.
- (iv) Emphasis has been provided on timely initiation of remedial action on alerts / triggers and periodic review of credit sanction and monitoring processes, internal controls and systems.
- (v) Banks have been advised to monitor unusual activities, specifically in the non-KYC compliant / money mule accounts etc., to prevent misuse of banking channel.
- (vi) Need for developing Data Analytics and setting up Market Intelligence Unit by the REs for better risk management has been emphasized.
- (vii) Procedural details / fixed timelines for red-flagging of accounts under Consortium / Multiple Banking Arrangements has been made flexible. Delays to be reviewed by SCBMF and also be subject to RBI's supervisory review.
- (viii) Emphasis given on instituting robust internal audit and controls framework in the REs.

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