

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA**

**STARRED QUESTION NO. *304
TO BE ANSWERED ON 16TH MARCH, 2018 / PHALGUNA 25, 1939 (SAKA)**

'Fraudulent Loans under MUDRA'

QUESTION

*304. SHRI MUTHAMSETTI SRINIVASA RAO (AVANTHI):

Will the Minister of FINANCE be pleased to state:

(a) whether the Central Bureau of Investigation (CBI) has registered a fresh case related to fraudulent loans issued/granted under the Micro Units Development and Refinance Agency (MUDRA) Scheme and if so, the details thereof;

(b) whether the fraud was reported in the Punjab National Bank, which is in the midst of another scam worth Rs. 114 billion; and

(c) if so, the details thereof and the stringent steps taken/being taken by the Government to put a lid on such frauds in the banking sector?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ARUN JAITLEY)

(a),(b) & (c): A statement is laid on the Table of the House.

STATEMENT REFERRED IN REPLY TO THE LOK SABHA STARRED QUESTION NO *304 TO BE ANSWERED ON 16TH MARCH, 2018 BY SH MUTHAMSETTI SRINISAVA RAO (AVANTHI) REGARDING FRAUDULENT LOANS UNDER MUDRA

(a)& (b): As per information furnished by Central Bureau of Investigation (CBI), a case based on source information has been lodged by it in February, 2018 against a bank official at the Barmer branch of Punjab National Bank (PNB) for allegedly sanctioning and disbursing 26 Pradhan Mantri Mudra Yojana (PMMY) loans in violation of extant rules and regulations of the Bank, thereby allegedly causing wrongful loss to the Bank and corresponding wrongful gain to himself and other unknown persons.

As per PNB, the irregularities committed by the branch official of the Barmer Branch (Rajasthan), relate to procedural lapses in 26 loans sanctioned under Pradhan Mantri Mudra Yojana (PMMY) during the period September, 2016 to March, 2017. Lapses noticed by the bank relate to pre sanction/ physical verification, end use verification, reports prepared without field verification etc. Procedural lapses were noticed in these accounts and only five accounts out of 26 had become NPA. These amounted to Rs.7.63 lakh. Recovery process in these accounts is currently underway. The official was placed under suspension in May, 2017

(c): The measures taken by Government and Reserve Bank of India (RBI) to control and prevent frauds in banks, inter-alia, include reiteration of instructions to banks on framework for timely detection, reporting, investigation, etc. relating to large value bank frauds for strict compliance, focus on early detection of loan frauds, prompt reporting to RBI and investigative agencies, timely initiation of staff accountability proceedings, advise to banks to classify potential fraud accounts as Red Flagged Accounts (RFA) based on observation/evaluation of Early Warning Signals (EWS), operationalization of Central Fraud Registry (CFR) to support exercise of due diligence during credit sanctioning process, imposing penalty on banks for laxity in internal controls including issue of 'Letter of Warning' for lapses in following the procedures / guidelines / reporting, rotational transfer of staff in sensitive positions to be covered in internal audit, mandating banks to implement measures for strengthening the SWIFT operating environment in banks etc.