

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-1918
ANSWERED ON- 13/03/2023

BANK FRAUDS

1918. SHRI MADDILA GURUMOORTHY
SHRIMATI GODDETI MADHAVI

Will the Minister of FINANCE be pleased to state:-

- (a) whether it is true that public sector banks have seen eighty cases of fraud of over Rs. 100 crore in FY 2021-22 alone;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the Government is taking any concrete steps to tackle the problem of fraud in public sector banks; and
- (d) if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (d): As per Reserve Bank of India (RBI), the number of frauds above Rs. 100 crore in Public Sector Banks (PSBs) is 79 for the Financial Year 2021-22 and details are at Annex. The major reasons for such frauds, as informed by the PSBs, includes, *inter-alia* diversion/siphoning of the funds, misrepresentation/manipulation of books of account and submission of false financial statements by borrowers, non-compliance of laid down standard operating procedure or regulatory guidelines in respect of deposit/loan accounts, collusion between the borrowers and third-party agencies, *e.g.* valuers, advocates, chartered accountants, *etc.*

Comprehensive steps have been taken to keep a check on the banking frauds and deter fraudsters, which includes, *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 RBI to enable timely identification, control and mitigation of fraud risk and also to carry out due diligence during the credit sanction process.
- (ii) 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. Further, it also requires monitoring and follow-up of cases by a special committee, quarterly placement of information before Audit Committees of bank Boards, and annual review of frauds by banks. These reviews cover, *inter alia*, preventive

measures, fraud detection systems, systemic lacunae, remedial action, monitoring of progress of investigation and recovery, and staff accountability.

- (iii) To cover all fraud cases involving amount of Rs. 3 crore and above and to examine the role of all levels of officials/Whole Time Directors (WTDs) (including ex-officials/ex-WTDs) in PSBs, the extent and scope of the existing Advisory Board for Banking and Financial Frauds (ABBBF) was revised by the Central Vigilance Commission in consultation with RBI and the Government.
- (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) For management of fraud risk, early detection of loan frauds, prompt reporting to RBI and investigative agencies, and timely initiation of staff accountability proceedings, RBI has issued a 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.
- (vi) 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.
- (vii) Heads of PSBs have been empowered to issue requests for issuance of Look-Out Circulars.
- (viii) 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.
- (ix) Wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years.
- (x) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds.
- (xi) The Fugitive Economic Offenders Act, 2018 has been enacted to provide for attachment of property of a fugitive economic offender, confiscation of such offender's property and disentitlement of the offender from defending any civil claim.

Lok Sabha Unstarred question no. 1918, regarding Bank Frauds

Details of Frauds in Public sector banks during the financial year 2021-22 in respect of amount involved over Rs. 100 crore and above in each fraud

Amounts in crore Rs.

Bank	FY 2021-22	
	Number	Aggregate Amount involved
Bank of Baroda	9	2,860.85
Bank of India	15	4,668.00
Bank of Maharashtra	2	896.30
Canara Bank	6	2,774.26
Central Bank of India	3	388.24
Indian Bank	7	1,628.36
Indian Overseas Bank	3	874.76
Punjab And Sind Bank	2	364.03
Punjab National Bank	13	7,111.52
State Bank of India	12	4,856.71
UCO Bank	1	374.96
Union Bank of India	6	1,999.31

Source: RBI
