

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

POSITION No. 15

**LOK SABHA
STARRED QUESTION NO *15**

ANSWERED ON 18th NOVEMBER, 2019 (MONDAY) / KARTIKA 27, 1941 (SAKA)

ACTION AGAINST CORRUPT OFFICIALS

SHRIMATI ANNPURNA DEVI:
SHRIMATI RAMA DEVI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken action against any official in corruption case relating to the disbursement of loans in nationalized banks during the last three years;
- (b) if so, the details thereof including the action taken by the Government against the said corrupt officials and the details of the laws under which the said action has been taken along with the nature of action taken, bank-wise;
- (c) the final outcome thereof; and
- (d) the reaction of the Government to the said outcome?

ANSWER

THE FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

(a) to (d): A Statement is laid on the table of the House.

**Statement as referred in reply to part (a) to (d) of Lok Sabha Starred Question
regarding Action against Corrupt Officials tabled by SHRIMATI
ANNPURNA DEVI, MP and SHRIMATI RAMA DEVI**

(a) to (d): As per data provided by Reserve Bank of India (RBI), the number of staff side action initiated/taken against Public Sector Bank employees involved in frauds (Amount involved >= 1 Lakh) for the year 2015, 2016 and 2017 is 4641, 3232 and 2107 respectively.

The Key reforms to prevent frauds instituted in PSBs, inter-alia, include the following:

- (i) Board-approved Loan Policies of PSBs now mandate tying up necessary clearances/ approvals and linkages before disbursement, scrutiny of group balance- sheet and ring-fencing of cash flows, non-fund and tail risk appraisal in project financing.
- (ii) Use of third-party data sources for comprehensive due diligence across data sources, thus mitigating risk on account of misrepresentation and fraud.
- (iii) Datasets-driven, codified and audited risk-scoring of loan proposals for robust underwriting, which has been implemented fully in State Bank of India (SBI) and is being replicated in other PSBs.
- (iv) Banks are mandated to create in-house capacities for techno-economic valuation.
- (v) Consortium lending arrangements have been made effective through minimum 10% exposure for participation, reducing membership to a manageable number.
- (vi) Monitoring has been segregated from sanctioning roles in high-value loans, and specialized monitoring agencies combining financial and domain knowledge have been deployed for effective monitoring of loans above Rs 250 crore.

In addition, transformative potential of technology is harnessed, inter-alia, through the following steps:

- (i) Contactless digital lending has been initiated through PSBloansin59minutes.com using triangulation of credit bureau, income tax and GST data to provide online in-principle approval for MSME loans.
- (ii) For faster processing of loan proposals, Loan Management Systems (LMS) have been put in place for personal segment and MSME loans.
- (iii) An Early Warning Signal system to comprehensively track 80+ indicators, leveraging datasets of both bank and third-party databases, has been implemented in State Bank of India (under implementation in other PSBs), to generate pre-defined system alerts for time-bound action to address potential slippage.
- (iv) To ensure timely and better realisation, online end-to-end One-Time Settlement platforms have been set up.
- (v) To transparently realise value from sale of assets, eBक्रय has been operationalised as an online single window of information on all properties put up for auction by PSBs.
- (vi) To support timely and transparent recovery proceedings, e-DRT is being implemented for automating processes in Debts Recovery Tribunals.

In order to alleviate fear of any unwarranted hardship to decision making Senior Executives of PSBs in connection with investigation, the Central Vigilance Commission (CVC) has, in consultation with

RBI, reconstituted the Advisory Board of Bank, Commercial and Financial Frauds (ABBCFF) and named it as Advisory Board for Banking Frauds (ABBF). The ABBF would function as first level of examination of all large value frauds above Rs. 50 crores involving officers of the level of General Manager and above in the PSBs before recommendations/references are made to the investigative agencies by the respective PSBs.

The Government is fully alive and committed to implement its policy of “Zero Tolerance against Corruption” and has taken several measures to combat corruption. These, inter-alia, include:

- Issue of Instructions by the CVC asking the organizations to adopt Integrity Pact in major procurement activities;
- Ratification of the United Nations Convention against Corruption (UNCAC) in 2011;
- Setting up of additional Special Courts exclusively for trial of CBI cases in different states.

Whenever any irregularities are found or observed on the part of Public Sector Bank’s official(s), the Banks initiate action, wherever required in consultation with Central Vigilance Commission, as per applicable rules/ regulations of the bank; and commensurate punishment is awarded to the delinquent employees based on the seriousness of the wrongdoings. Action is taken by the PSBs based on the relevant Service Rules/ Regulations of the respective PSBs. Reserve Bank of India has issued Master Directions on Frauds – Classification and Reporting by Commercial Banks and Select FIs dated 01.07.2016 (Updated as on 03.07.2017), which, inter-alia, provides a framework to banks enabling them to detect and report frauds early and taking timely consequent actions like reporting to the investigative agencies, examining the staff accountability and do effective fraud risk management. PSBs have a Board approved Staff Accountability Policy and regulations for taking action against officials involved in irregularities.
