

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-†1753
ANSWERED ON-02.03.2020

BANKING FRAUD CASE

†1753. SHRI RAJIV RANJAN SINGH *ALIAS* LALAN SINGH:

Will the Minister of FINANCE be pleased to state:

- (a) whether any case has been filed against a food exporter for banking fraud of Rs. 811 crore;
- (b) if so, whether such cases of banking fraud involving very big amounts are still continuing despite special monitoring being done by the Government, if so, the details thereof and the reasons therefor;
- (c) whether the Government is very likely to recover the amount involved in the fraud, if so, the details thereof; and
- (d) the details of the names of the Bank in which the fraud was committed, the amount of fraud and the list of persons involved therein and the action taken by the Government in this regard?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) to (d): State Bank of India (SBI) has informed that as the lead bank in a consortium of banks including Indian Overseas Bank, Exim Bank, Bank of India, Oriental Bank of Commerce, IDBI Bank Limited, Bank of Maharashtra, CSB Bank, Vijaya Bank (which has been amalgamated into Bank of Baroda) and UCO Bank, it had lodged a first information report with the Central Bureau of Investigation against two persons who were promoters of a food exporting company, involving a total amount of Rs. 819.48 crore. With regard to action taken in this regard, SBI has informed that the borrower has been declared a wilful defaulter, Look Out Circular issued against the promoters and directors of the company, suit for recovery filed in Debts Recovery Tribunal, and security enforcement action taken under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. The extent of recovery is an outcome of the process envisaged in the said enactments and it is not possible to state the likely outcome of the same.

Reserve Bank of India in its Master Directions on Frauds (2016) has stated that occurrence of frauds was enabled by lack of discipline in the financial system and a lax credit culture. These have been addressed through comprehensive measures taken to curb the incidence of frauds in banks, which include, *inter-alia*, the following—

- (1) 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 and carrying out due diligence during the credit sanction process.
- (2) 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.
- (3) Public Sector Banks (PSBs) have been advised to—
 - (i) 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;
 - (ii) decide on publishing photographs of wilful defaulters, in terms of the instructions of RBI and as per their Board-approved policy; and
 - (iii) strictly ensure rotational transfer of officials/employees.
- (4) Heads of PSBs have been empowered to issue requests for issue of Look-Out Circulars.
- (5) For enforcement of auditing standards and ensuring the quality of audits, has been established the National Financial Reporting Authority as an independent regulator.
- (6) In order to bring transparency and accountability in the larger financial system, bank accounts of 3.38 lakh inoperative companies have been frozen.

The impact of the comprehensive steps taken to curb bank frauds is visible in the declining trend in the amount involved by year of occurrence of fraud (where the amount is Rs. 1 lakh and above) in PSBs, with the amount reducing sharply from a peak of Rs. 50,329 crore in the financial year (FY) 2013-14 to Rs. 3,781 crore in the first three quarters of FY2019-20.
