

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
LOK SABHA  
UNSTARRED QUESTION NO-1214  
ANSWERED ON-19.09.2020

**Bank Frauds**

1214.

SHRI UPENDRA SINGH RAWAT:  
SHRI P.C. GADDIGOUDAR:

SHRI RAHUL RAMESH SHEWALE:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that there has been a gradual increase in the number of fraudulent loans from public sector banks during each of the last three years and current year especially during lock down due to COVID-19;
- (b) if so, the details of all such cases including the loss of amount to customers and banks due to such frauds, bank-wise;
- (c) whether any steps are being taken by the Government to regulate the process of grant of loan to prevent such malpractices; and
- (d) if so, the details thereof and if not, the reasons therefor?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) to (d): There have been a steep reduction in the occurrence of bank frauds, with the amount involved in loan related frauds declining steeply from a peak of 0.91% of the total advances of Public Sector Banks (PSBs) in the financial year (FY) 2013-14 to 0.15% in FY2019-20, and the number of loan related frauds declining from a peak of 2,213 in FY2012-13 to 292 in FY2019-20. Comprehensive steps taken to check bank frauds and strengthening of monitoring of the banking mechanism have led to this reduction. With regard to gradual increase in the number of fraudulent loans in PSBs during the lockdown due to COVID-19, Reserve Bank of India (RBI), which compiles data relating to bank loan frauds, has apprised that it does not have any COVID-specific category on which data on frauds can be generated. Year-wise and bank-wise details of the number of loan frauds by the year of occurrence for the last three years are at Annex.

With regard to the loss of amount to customers and banks due to loan frauds, RBI has informed that the amount involved does not equate with the loss suffered by the reporting bank. Further, the entire amount lent in case of borrowal accounts need not necessarily have been diverted by the borrower or fraudster. In case of borrower accounts, amount involved may refer to the amount outstanding in the books of the reporting bank.

The comprehensive steps taken to check bank frauds include, *inter-alia*, the following:

- (i) Issuance by the Government in 2015 of "Framework for timely detection, reporting, investigation etc. relating to large value bank frauds" to PSBs for dealing with suspected frauds involving sum of money in excess of Rs. 50 crore;

- (ii) Setting up of a searchable Central Fraud Registry on *modus operandi* and details of fraud perpetrators;
- (iii) Enactment of the Fugitive Economic Offenders Act, 2018 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;
- (iv) Empowerment of the heads of PSBs to issue requests for issuance of look-out circulars;
- (v) Establishment of the National Financial Reporting Authority as an independent regulator for enforcement of auditing standards and ensuring the quality of audits;
- (vi) Enforcement actions by RBI for non-adherence to relevant regulations, along with RBI penalising banks for delay in fraud recognition and encouraging banks to commission forensic audits; and
- (vii) Non-sanction of any additional loan to wilful defaulters by banks and financial institutions, debarment of their units from floating new ventures for five years, and debarment from participating in the insolvency resolution process.

Comprehensive steps have also been taken to improve the process of grant of loans and their disbursement, including, *inter-alia*, through—

- (a) Technology- and data-driven risk assessment with prudential underwriting and pricing systems, for which—
  - (i) Risk scoring and scrutiny that comprehensively factors in third-party data and non-financial factors and provides for higher scrutiny of high-risk cases has been introduced in banks;
  - (ii) Adherence to risk-based pricing has been improved substantially;
  - (iii) Improved credit policies have been adopted that provide for improved consortium lending, ring-fencing of cash flows, and disbursement arrangements; and
- (b) Setting up of Loan Management Systems;
- (c) Introduction of Early Warning Signals (EWS) systems in banks, with ~80 EWS triggers including third-party data and workflow for time-bound remedial actions;
- (d) Risk from group entities in which the borrower has above 26% stake are now factored in the risk assessment; and
- (e) Strict segregation of monitoring and sanctioning roles in high-value loans, and engagement of specialised monitoring agencies combining financial and domain knowledge for effective monitoring of loans above Rs. 250 crore.

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Lok Sabha unstarred question no. 1214, regarding Bank Frauds, for 19.9.2020

Number of loan related frauds reported by public sector banks, by the year of occurrence

Bank	2017-18	2018-19	2019-20
Allahabad Bank	182	32	3
Andhra Bank	48	30	4
Bank of Baroda (BoB)	88	46	19
Dena Bank	7	2	Merged with BoB
Vijaya Bank	17	2	
Bank of India	49	23	6
Bank of Maharashtra	46	51	18
Canara Bank	36	19	9
Central Bank of India	27	11	14
Corporation Bank	7	3	-
IDBI Bank Limited*	40	24	-
Indian Bank	32	20	6
Indian Overseas Bank	49	46	17
Oriental Bank of Commerce	8	6	3
Punjab and Sind Bank	6	2	23
Punjab National Bank	68	53	11
State Bank of India	284	259	48
Syndicate Bank	138	59	20
UCO Bank	14	8	64
Union Bank of India	78	13	8
United Bank of India	12	36	19

Source: RBI

\*Recategorised as a private sector bank by RBI with effect from 21.1.2019

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