

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
**LOK SABHA**  
**UNSTARRED QUESTION NO-1222**  
ANSWERED ON- 25/07/2022

**BANKING FRAUDS**

1222. SHRI SUNIL DATTATRAY TATKARE  
DR. SUBHASH RAMRAO BHAMRE  
SHRIMATI SUPRIYA SULE  
SHRI KULDEEP RAI SHARMA  
DR. DNV SENTHILKUMAR. S.  
DR. AMOL RAMSING KOLHE

Will the Minister of FINANCE be pleased to state:-

- (a) whether even after effective steps taken by the Banking Sector and RBI both Public and Private banks have failed to check banking frauds in the country and if so, the details thereof and the reasons therefor;
- (b) whether there has been unprecedented rise in banking frauds in the last three years and if so, the loss of the amount to the customers and banks due to such frauds, bank-wise;
- (c) the details of banking frauds unearthed and fund involved therein during each of the last three years and the current year, bank-wise;
- (d) the mechanism evolved by the banks to check the banking frauds and amount incurred in this regard during each of the last three years and the current year;
- (e) whether RBI has called any meeting of Public and Private Sector Banks to discuss rising banking frauds in the country and if so, the details and the outcome thereof along with the other corrective steps taken/proposed to be taken by the Government to keep a check on banking frauds and the achievements made in this regard; and
- (f) the amount of money recovered by the public/private sector banks as a consequence of legal actions initiated by banks during the said period?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): As per Reserve Bank of India (RBI) data, the amount involved in frauds reported by Scheduled Commercial Banks (SCBs) and select financial institutions (FIs) based on the date of occurrence of fraud has declined from Rs. 32,178 crore in FY2019-20 to Rs. 11,800 crore in FY2020-2021 and to Rs 3,785 crore in FY2021-22. Bank-wise and year-wise details of number of frauds in SCBs, in respect of amount involved of Rs. 1 lakh and above in each fraud, by the year of occurrence, for the last three financial years are at Annex.

(d) to (f): As per RBI's Master Direction on Frauds, banks are required to frame internal policy for fraud risk management and fraud investigation function, duly approved by their respective Boards. Further, banks' CEO, Audit Committee of the banks' Board and the Special Committee of the banks' Board are required to own the functions of the fraud risk management, fraud monitoring and fraud investigation. In addition to this, as per RBI instructions, banks are required to institutionalise comprehensive automated Early Warning System (EWS) to check the banking frauds. Public sector banks (PSBs) have institutionalised the same with ~80 EWS triggers and enabled use of third-party data for time-bound remedial actions.

Further, as per inputs received from RBI, as a part of its supervisory review process, it discusses various concerns/ major issues flagged in the assessment report of the supervised entities including banks with their top management. Compliance to RBI guidelines issued to banks is examined on sample basis during the supervisory assessment of the banks and any non-compliances observed are taken up with bank concerned for rectification apart from initiating supervision/enforcement action against the bank, as deemed fit. Also, 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 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 beyond a threshold amount to the police, 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) For management of fraud risk and for 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.
- (iv) 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.
- (v) A National Cyber Crime Reporting Portal has been launched by the Ministry of Home Affairs to enable public to report incidents pertaining to all types of cybercrimes, and a toll-free number has also been operationalised to get assistance in lodging online complaints.
- (vi) For immediate reporting of financial frauds and to stop siphoning-off of funds by the fraudsters, Financial Cyber Fraud Reporting and Management System module has been made operational by the Indian Cyber Crime Coordination Centre, working under the Ministry of Home Affairs.
- (vii) 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.

- (viii) Heads of PSBs have been empowered to issue requests for issuance of Look-Out Circulars.
- (ix) Advisory has been issued by Government to PSBs to decide on publishing photographs of wilful defaulters, in terms of RBI's instructions and as per their Board-approved policies.
- (x) 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.

Enabled by the aforementioned measures, fraud occurrence as percentage of gross advances, in SCBs, declined sharply from a peak of 1.05% in FY2013-14 to 0.02% in FY 2021-22.

With regards to the amount of money recovered by banks, RBI has informed that the specific information in this regard is not maintained by it. However, as per the RBI's Annual Report for FY 2020-21, frauds have been predominantly occurring in the loan portfolio, both in terms of number and value. Enabled by the measures taken by RBI/Government and legal actions taken by SCBs, they have recovered Rs. 4,02,567 crore, in non-performing assets and written-off loan accounts, including those reported as fraud in the last three financial years.

\*\*\*\*\*

**Lok Sabha Unstarred question no. 1222, regarding Banking Frauds**

**Bank-wise and year-wise details of number of frauds in SCBs, in respect of amount involved of Rs. 1 lakh and above in each fraud, by the year of occurrence, for the last three financial years**

(amount in crore Rs.)

<b>Bank</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Airtel Payments Bank Limited	--	0.97	--
American Express Banking Corp.	7.17	10.46	2.99
AU Small Finance Bank Limited	0.88	1.98	0.12
Australia and New Zealand Banking Group Limited	125.53	--	--
Axis Bank Limited	1,803	47	28
Bandhan Bank Limited	2	8	1
Bank of America, National Association	--	--	6
Bank of Bahrain & Kuwait B.S.C.	--	--	5
Bank of Baroda	2,319	332	570
Bank of India	1,026	222	21
Bank of Maharashtra	175	19	5
Barclays Bank Plc	121	--	--
BNP Paribas	6	--	--
Canara Bank	4,977	84	29
Syndicate Bank	60	Amalgamated into Canara Bank	
Capital Small Finance Bank Limited	--	0.04	--
Catholic Syrian Bank Limited	3	8	1
Central Bank of India	309	6	3
Citibank N.A	11	9	3
City Union Bank Limited	11	15	5
Coastal Local Area Bank Limited	--	--	2
CREDIT SUISSE AG	--	250	--
DBS Bank India Limited	213	41	1
DCB Bank Limited	9	8	0.5
Deutsche Bank ag	89	132	0.07
Equitas Small Finance Bank Limited	3	16	0.42
ESAF Small Finance Bank Limited	0.32	0.70	0.04
Federal Bank Limited	496	24	3
Fincare Small Finance Bank Limited	0.08	8	0.48
Fino Payments Bank Limited	2	0.53	0.81
HDFC Bank Limited	846	182	61
Hongkong and Shanghai Banking Corpn. Limited	9	3	2
ICICI Bank Limited	1112	849	121
IDBI Bank Limited	778	114	7
IDFC First Bank Limited	35	29	1
India Post Payments Bank Limited	0.46	0.38	0.05
Indian Bank	924	657	9
Allahabad Bank	9	Amalgamated into Indian Bank	
Indian Overseas Bank	409	81	96

Bank	FY 2019-20	FY 2020-21	FY 2021-22
Indusind Bank Limited	312	591	23
Jammu & Kashmir Bank Ltd	29	84	0.40
Jana Small Finance Bank Limited	4	3	4
J. P. Morgan Chase Bank National	--	0.49	--
Karnataka Bank Limited	719	0.79	1
Karur Vysya Bank Limited	458	20	163
Kotak Mahindra Bank Limited	261	89	35
Krishna Bhima Samruddhi Lab Ltd.	--	0.01	--
Lakshmi Vilas Bank Limited	108	232	--
Nainital Bank Limited	2	0.30	0.07
North East Small Finance Bank Limited	0.21	0.56	0.09
Paytm Payments Bank Limited	0.01	--	--
Punjab and Sind Bank	1,921	159	2
Punjab National Bank	3,935	477	2169
Oriental Bank of Commerce	18	Amalgamated into Punjab National Bank	
United Bank of India	395		
RBL Bank Limited	4	25	2
SBM Bank (India) Limited	20	21	--
Shinhan Bank	--	100	--
Sonali Bank	0.14	--	--
South Indian Bank Limited	925	391	32
Standard Chartered Bank	196	199	28
State Bank of India	696	4,038	200
Sumitomo Mitsui Banking Corporation	--	0.30	--
Suryoday Small Finance Bank Limited	0.29	0.26	0.24
Tamilnad Mercantile Bank Limited	39	148	12
The Dhanalakshmi Bank Limited	0.44	0.31	0.14
UCO Bank	991	771	91
Ujjivan Small Finance Bank Limited	2	2	0.73
Union Bank of India	2,923	450	6
Andhra Bank	54	Amalgamated into Union Bank of India	
Corporation Bank	0.22		
Utkarsh Small Finance Bank Limited	0.26	14	0.01
Woori Bank	0.20	--	--
Yes Bank Limited	2286	816	1

Source: Reserve Bank of India

\*\*\*\*\*