

and other sectors so that there should not be any heart-burning in the minds of the public sector employees.

**SHRI VISHWANATH PRATAP SINGH:** This is precisely because they had asked even officers who had been given accommodation by the banks, 10 per cent deduction should not be made. Now, for other public sector and Government employees, we do make the deductions. So, it was not possible to agree with it which the hon. Member sees to be in parity with what others are enjoying. I am informed that there is no tenure for officers revision. It is not under the Industrial Disputes Act.

#### WELCOME TO SPEAKER OF CITIZENS MAJLIS OF MALDIVES

**MR. CHAIRMAN:** Just a minute. I have an announcement to make.

We have with us this morning seated in the special box His Excellency Mr. Ibrahim Shihab, Speaker of the Citizens' Majlis of Maldives who is currently on a visit to our country.

On behalf of the Members of the House and on my own behalf, I take pleasure in extending a very hearty welcome to our distinguished guest and wish him a very enjoyable and fruitful stay in our country. We hope that during his stay with us he will have opportunity to see and learn more about our country and our people. Through him we convey our greetings and good wishes to the Members of the Citizens' Majlis of Maldives and the friendly people of Maldives.

#### ORAL ANSWERS TO QUESTIONS— Contd.

**MR. CHAIRMAN:** Now, can we go to the next question? Q. No. 203. (Interruptions). We have already spent 20 minutes. (Interruptions). Q. No. 203.

#### Bank Frauds

\*203. **SHRI PARVATHANENI UPENDRA:** Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to a news item which appeared in the Deccan Chronicle on the 19th June, 1985 captioned "Banks losing Rs. 100 crores through frauds annually; and

(b) if so, what are the details thereof and what action Government have taken to check such huge losses through frauds?

**THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI):** (a) and (b) A statement is laid on the Table of the House.

#### Statement

(a) Yes, Sir.

(b) The newspaper report refers to the increase in the incidence of banking frauds in the country as made out in a study conducted by a Criminologist on the Faculty of Kerala Police Training College and projected in his book titled "Bankers' Safety in Money Transactions". According to this book, the author has estimated that the banks lose rupees hundred crores through various fraudulent methods including cheating personation, forgery, theft, criminal misappropriation, false claims and misrepresentation. The author is of the view that some bank employees aid and abet in various criminal activities causing loss to the banking institution. According to the report, lack of knowledge and academic training for bankers and bank employees in the detection of forgery precludes an assured and in-built system against detection frauds. The author has identified the detective system of personal identification of customers at the time of opening an account as the major factor helping forgers and counterfeiters.

The newspaper report refers to two types of frauds (i) counterfeiting of currency notes, and (ii) other fraudulent methods such as cheating, personation, theft, criminal misappropriation, false claims and misrepresentation, etc.

In so far as the counterfeiting of currency notes is concerned, the Government takes two fold steps, viz., preventive and

punitive. The preventive steps include constantly improving the design of the notes, taking into consideration latest development and technology available in this field such as water mark, security thread, etc.

The punitive measures are detection of crime by the Police/CBI and prosecution of the counterfeiters, in terms of the provisions contained in the Indian Penal Code.

In so far as the other types of forgeries such as forging of cheques, drafts and mail transfers are concerned, the Government and the Reserve Bank of India take a very serious view of the incidence of frauds. The public sector banks have been advised to strengthen their vigilance and audit machinery and to keep a close watch over large banking transactions. Measures have also been taken to ensure that authority delegated at various levels is not ordinarily exceeded and the strictest action according to rules, is taken against erring employees. Where necessary, the Central Bureau of Investigation are entrusted with investigations and the Government pursues such cases.

**SHRI PARVATHANENI UPENDRA:** The Minister has mentioned two types of frauds (i) counterfeiting of currency notes and (ii) other fraudulent methods such as cheating, personation, theft, criminal misappropriation, false claims and misrepresentation, etc. We are worried about the second type of frauds. Though the Minister has mentioned about some steps which he has taken to prevent these things, the report says that the Banks, particularly nationalised banks, are being cheated to the extent of several hundred crores of rupee every year.

I would like to know from the Minister what was the number of frauds on the nationalised banks during the last three years? What was the amount involved? These frauds cannot be perpetrated without the connivance of the officers and the staff

of the nationalised banks. What was the number of employees and officers involved in such frauds? What action has been taken against these employees?

**SHRI JANARDHAN POOJARI:** Sir, in the year 1982, there were 2,065 number of frauds and the amount involved in 1982 was Rs. 19 crores 43 lakhs. In the year 1983, the number of frauds was 2,366 and the amount involved was Rs. 29 crores 61 lakhs. In the year 1984, the number of frauds was 2,410 and the amount involved was Rs. 38 crores 39 lakhs. Sir, the hon'ble member is correct in his submission that there is involvement, in some fraud cases, of these employees also. Sir, we have taken action and the employees who were found guilty had also been prosecuted. In the year 1982, there were 26 people convicted and in the year 1983, there were about 50 people who were convicted and in the year 1984, upto 30-6-1984, there were 24 people who were convicted. Sir, about the number of employees who have got major and minor punishments, the total number is: in the year 1982, 528 and in the year 1983, 609 and in the 1984, upto 30-6-1984, the number is 338. Sir, the Government has taken a serious note of all these frauds and we are taking action. Wherever action is required by the C.B.I., we have referred the cases to the C.B.I. and the Government is monitoring in every way these type of frauds and we are taking proper action at regular intervals.

**MR. CHAIRMAN:** Second supplementary.

**SHRI PARVATHANENI UPENDRA:** Sir, my second supplementary is Dr. James Vadakkamcherry of Kerala is said to have designed a model of a forgery proof cheque with special codes, markings security edges, designs for serial numbers and safety window etc. which was mentioned in the

report on the basis of which I put the question: has the government examined this model and if so, whether they are going to adopt the same?

**SHRI JANARDHAN POOJARI:** Sir, Sir, yesterday, with great difficulty, we were able to get one copy. We are examining the suggestion made by the Author in that book.

**श्री अश्विनी कुमार :** माननीय सभा-पति महोदय, जो मंत्री महोदय ने अपना वक्तव्य दिया है उसका एक भाग तो उन्होंने नोटों के जाली होने का बताया है। वह भाग एक अलग विषय है। जो बैंक के अनगंत गड़बड़ी होती है मैं उसकी ग़ौर 2-3 प्रश्न पूछना चाहता हूँ। मुझे ऐसी जानकारी मिली है कि जो अपने देश का सबसे बड़ा बैंक स्टेट बैंक आफ इंडिया है इसकी हर ब्रांच में हर साल आडिट नहीं होता है, तीन वर्षों में एक वर्ष का आडिट होता है। इसके कारण जो बहुत बड़े-बड़े अपराधी हैं उन को पकड़ने में बहुत समय लगता है। मेरा पहला प्रश्न यह है कि मैं इस विषय में स्पष्टीकरण चाहूंगा। दूसरा अभी पिछले दिनों एक बैंक फ्राड की बहुत चर्चा हुई जिसको एक व्यक्ति सेठिया के फ्राड के नाम में गिना गया है, मैं उस फ्राड के बारे में जानना चाहूंगा कि उसमें कितना धन इन्वाल्ड था। नम्बर तीन, इस प्रकार से अखबारों में खबर छपी है कि उस अपने के हिस्साब में पंजाब नेशनल बैंक और सेंट्रल बैंक के चैयरमैन को हटाया गया है, वे उसी से संबंधित थे। क्या यह सत्य था कि वे उसमें संबंधित थे? यदि संबंधित थे तो हटाना ही पर्याप्त दण्ड है और उस काण्ड के अंदर कौन-कौन थे जिनको दण्डित किया गया। मैं इन तीन प्रश्नों का उत्तर स्पष्ट जानना चाहूंगा।

**SHRI JANARDHAN POOJARI:** Sir, about the particulars of Shri Sethia's case, as is stated thousands of cases are there and in this case, about the detail, I am not in a position to give but I can say to this extent, Sir, that we have taken action. The CBI is seized of the matter. Mr.

Rajendra Sethia has been arrested and he is in the judicial custody. Action is being taken against him. The matter is sub-judice and about the details of the amount that is involved, I am not having the correct figure—sand as you know, Sir, I will be hauled up for privilege motion if I give the wrong figures. So, I shall furnish the details of that to you. Regarding audit of the branches, internal auditing is there or the branches. Statutory audit of all the banks' branches is not possible. As the honourable Members know, as of December 1984 there are 48,113 branches throughout the country and it is not possible to have statutory auditing of all the branches.

**SHRI M.M. JACOB:** Does the fraud reported by the Minister include the fraud in the overseas branches as well? I know in the Gulf countries and other countries the Indian banks operating there have incurred huge losses on account of certain bungling including fraud. Is there inspection of those branches of Indian banks in the foreign countries and, if so, how often and what level of officers make this kind of inspection to find out any possible fraud in such branches?

**SHRI JANARDHAN POOJARI:** It is true that in some of the branches of the foreign banks fraud has been committed, action has been taken. The Reserve Bank of India has started giving instructions and a periodical review is also taken by the Reserve Bank of India. Not only now. Instructions have been given to the banks stating that they should also inform the Government. Not only that. There are Government directors on bank boards. They have also been given directions to bring to the notice of the Government immediately the details of any fraud detected. Whenever there is fraud committed, it is detected immediately and action is taken. We are taking action and we are keeping surveillance on those people whose credibility has been suspected.

श्री वीरेन्द्र वर्मा : मान्यवर, माननीय मंत्री जी के स्टेटमेंट से संबंधित—बैंकों में धोखाधड़ी और जालसाजी रोकने के लिए प्रिवेंटिव और प्युनिटिव दो स्टेप्स उन्होंने लिया जाना बताया है। जो फिगरज उन्होंने 1981-82 के या 1982-83 के दिये हैं उन्नीस करोड़ और तीसरे वर्ष में, 1983-84 में अड़तीस करोड़ यानी दुगुनी फिगरज इस गबन की हुई है। तो क्या उनके यह स्टेप्स इनफ़ेक्टिव रहे हैं और उन्हें पुनः यह विचार करना चाहिए कि और कौनसे इन्फ़ेक्टिव स्टेप्स वह लेंगे कि जिससे प्रति वर्ष बढ़ते हुए गबन और धोखाधड़ी समाप्त हो जाए ?

(बी) पाटें, मेरा ऐसा ख्याल है, मान्यवर, कि बैंकों में जो गबन होता है, उनमें अधिकांश बैंकों के कर्मचारियों का हाथ होता है। आपने कुछ एक्शन भी लिए हैं, लेकिन जितने थड़े पैमाने पर गबन हो रहा है, उससे ऐसा प्रतीत होता है कि बैंकों के कर्मचारियों के सिलसिले में बैंकों के अधिकारी ठीक ढंग से उनको देख नहीं पाते और इसी कारण उनके सहयोग से, उनके कन्नाइव्स से इस प्रकार के हादसे बढ़ते चले जा रहे हैं।

SHRI JANARDHAN POOJARI: Considering the amount that is involved which figure I have given—we are not going to defend—if you will kindly take into consideration the percentage of the amount involved in fraud and the percentage of the working fund. it is .030, but we are not defending ...

SHRI VIRENDRA VERMA: Don't give the percentage. Go by the amount. Don't try to justify it by giving the percentage.

SHRI JANARDHAN POOJARI: At the very beginning I said we are not defending...

MR. CHAIRMAN: Why did you then talk about the percentage? You invited the trouble yourself.

SHRI JANARDHAN POOJARI: Sir, the Government is seized of the matter. We have been monitoring this, as I have stated already. With regard to the statement that there

is involvement of the staff and that there is deficiency among the supervisory staff, the honourable Member is correct in his statement. When we found that there was deficiency among the supervisory staff, we had meetings and I attended the meeting of the Vigilance Officers on the 29th March 1985 and some steps have been taken in order to prevent this thing. As stated by me earlier, effective steps are being taken and we are monitoring it. Even my senior colleague, the Finance Minister, is also monitoring every week, once in a day every week, the banking performance including frauds also.

MR. CHAIRMAN: Yes, Mr. Satyanarayan Reddy.

SHRI B SATYANARAYAN REDDY: Sir, several nationalised banks have been systematically cheated and they have been defrauded. For instance, I had drawn the attention of this House through my Special Mention during the last session and also through my Unstarred Question to these things and the honourable Minister had stated that he would inquire into the matter relating to M/s Progressive Construction Private Ltd. of Hyderabad. This Company has defrauded to the tune of crores of rupees different nationalised banks and Madhya Pradesh Government. I want to draw the attention of the honourable Minister to the fact that several Members of Parliament had written a letter on the 20th May 1985 to the Prime Minister in this regard and also, Sir, the Chief Minister of Andhra Pradesh, Shri N. T. Ram Rao had addressed a letter to the Prime Minister, Shri Rajiv Gandhi, on the 30th July, 1985, stating all the facts and giving full details. I would like to know from the Minister what steps have been taken on these letters, whether any inquiry has been conducted into this as demanded by me in my Special Mention, in reply to which he had said that he would make an inquiry, and what the results of that inquiry are. If that in-

quiry has not been conducted, I would like to know why it has not been conducted so far. What is the amount involved in this fraud? I would request the Minister to give me correct and categorical answers.

MR. CHAIRMAN: Yes, Mr. Minister. Please give correct answers.

SHRI JANARDHAN POOJARI: Sir, this is also an individual case. I have not got the full facts with me. But it is true that the honourable Member had raised it. Not only that. A representation also came from some honourable Members of Parliament and the matter has been raised in the Lok Sabha also. Sir, we have already asked the Reserve Bank of India to look into this and they are making inquiries and all these things are being done. At least on this I am not in a position to give the information.

SHRI B. SATYANARAYAN REDDY: You cannot give any information? Already six months are over.

MR. CHAIRMAN: Yes, Mr. Salve.

SHRI N. K. P. SALVE: Sir, the figure involved, the figure which he gave, is really staggering and, naturally, the entire nation would be concerned about it. I think it will be at least 50 per cent of the profits which the banks are making. But what surprises me is the answer given by the Minister vis-a-vis the question regarding auditing. He said that it is not practicable to audit. Sir, it surprises me. Auditing goes on in the USA, in the UK etc. and there the banks must be audited. Not only that. There is an excellent internal auditing arrangement. When the Minister says that it is not practicable, may I ask him one thing? I am asking this question because this is a serious matter and coming from the profession of accountancy, Sir, I would like to know from the honourable Minister whether he has discussed this matter with the Institute of Chartered Accounts of India about providing proper statutory auditing in

time and providing very efficacious and efficient internal auditing of the banks.

SHRI DIPEN GHOSH: Mr. Salve, why don't you lend your services?

SHRI JANARDHAN POOJARI: Sir, if the honourable Member may kindly remember, I have stated that internal auditing is there. I referred only to statutory auditing and I have said that statutory auditing is not practicable because inspection and other checks are being done by the internal auditors.

MR. CHAIRMAN: Yes, Mr. Chaturanan Mishra.

श्री चतुरानन मिश्र : उभापित महोदय, पिछले वर्षों में लगातार रिपोर्ट आती रही है कि हमारे राष्ट्रीयकृत बैंकों में चोरी और भ्रष्टाचार लगातार बढ़ता जा रहा है। इसकी बराबर रिपोर्ट आती रही हैं देश के भीतर भी और देश के बाहर भी और सरकार बराबर कहती रही है कि बी आर सीड आफ् दी मीटर और हम बराबर एक्शन ले रहे हैं। हमारी पुलिस और दूसरे आफिसर भी बराबर कार्यवाही करते रहे हैं। फिर भी यह लगातार रिपोर्ट बढ़ती जा रही है। मैं सरकार से जानना चाहता हूँ कि जब एकाउंट की गड़बड़ बड़े पैमाने पर नोटिस में आई है तो पार्लियामेन्टी कंट्रोल में राष्ट्रीयकृत बैंकों को लाने में गवर्नमेंट को क्या आब्जेक्शन है? जैसे कि दूसरी पब्लिक अण्डरटेकिंग हैं वैसे ही पार्लियामेंट के चैक में ये बैंक भी आ जायें तो इसमें गवर्नमेंट को क्या आब्जेक्शन है?

SHRI JANARDHAN POOJARI: Sir, here the hon. Member has made a point, stating that there is increase. Yes, it is because of the action taken by the Government that more cases are being detected now. Earlier the detection was not effective. Now because of the effective steps taken by the Government immediately after the frauds are being detected. Earlier what used to be...

SHRI DIPEN GHOSH: What a satisfaction?

SHRI JANARDHAN POOJARI: There were frauds earlier. Even that was being perpetrated and that was continued for years to come but no detection took place. Now, immediately because of the steps taken, as soon as a fraud is committed, steps are taken. We came to know that inter-branch reconciliation was not done for 12 years. Now the inter-branch reconciliation is also being made upto date. Because of this more frauds are being detected.

SHRI CHATURANAN MISHRA: He has not replied to my point about parliamentary control. I seek your protection. I asked about parliamentary control. (*Interruptions*).

MR. CHAIRMAN: Mr. K.L.N. Prasad.

SHRI K. L. N. PRASAD: The hon. Minister has stated that the entire profits of the banks amount only to Rs. 80 crores. It was also stated in the statement that the public sector banks have been advised to strengthen their vigilance and audit machinery and to keep a close watch over large banking transaction. Well, the instructions have been always there for years. But how they are implemented is the question.

MR. CHAIRMAN: What is your question?

SHRI K. L. N. PRASAD: I am coming to that. May I know from the hon. Minister if the detected frauds are so huge, what about the many undetected frauds still to come out. Is the Government willing to institute an inquiry by a parliamentary committee? I can tell you one thing. Today Rs. 70,000 crores of public money is in banks. If a proper inquiry is made, how many thousands of crores fraud will be detected only a proper inquiry alone can reveal.

MR. CHAIRMAN: Your time is up.

SHRI K. L. N. PRASAD: I would like to know whether in view of the seriousness of the situation is the Minister willing to constitute a parliamentary committee to go into this matter.

SHRI VISHWANATH PRATAP SINGH: We have examined this proposal. We do not think it will be advisable or it will help the situation.

\*204. [The question (Shri Raoof Valiullah) was absent. For answer, vide Col. 32 infra.]

MR. CHAIRMAN: Next question 205.

**Protection to excise and income tax officials on duty**

\*205. SHRI M. S. GURUPADA-SWAMY:†

SHRI NEPALDEV BHATTACHARJEE:

Will the Minister of FINANCE be pleased to refer to the answer to Starred Question 15 given in the Rajya Sabha on the 23rd July, 1985 and state:

(a) whether Government propose to award exemplary punishment to the art silk fabric manufacturers of Surat whose premises were recently raided for evasion of excise duty as a preventive to similar episodes;

(b) whether prosecution proceedings against them have since been launched; if so, what are the details in this regard; and

(c) what are the details of the steps to be taken by Government to provide protection to the Customs,

†The question was actually asked on the floor of the House by Shri M.S. Gurupadaswamy.