

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANURAG SINGH THAKUR): (a) Agriculture produce and most other food items are either exempt or attract 5% GST. Certain processed/ manufactured food items attract 12% and 18% GST. Toilet articles and other sanitary materials attract GST rates of 12 % or 18%.

(b) and (c) These GST rates have been prescribed on the recommendation of the GST Council. While making recommendations, GST Council in general is guided by the pre-GST tax incidence. The rates have been significantly rationalised subsequent to roll out of GST.

#### **PSBs accounted for bulk of frauds**

248. SHRI S. MUTHUKARUPPAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Public Sector Banks (PSBs) which constitute the largest market share in banks lending have accounted for the bulk of frauds reported in 2018-19;

(b) if so, the details thereof, bank-wise;

(c) whether it is also a fact that many hundreds of counterfeit notes of the demonetised ₹ 1000 denomination had been detected; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANURAG SINGH THAKUR): (a) and (b) As per inputs received from Reserve Bank of India (RBI), as per data reported by Scheduled Commercial Banks (SCBs) and select financial institutions to RBI, frauds of ₹ 1 lakh and above based on date of occurrence, 26.1% of the frauds were reported by PSBs during the financial year (FY) 2018-19, while its lending share was 63.81% in the aggregate gross advances of SCBs as on 31.3.2019. On this basis, the number of incidents of frauds reported (by date of occurrence) per lakh crore advances for PSBs (11.3) is about 79% lower than that for non-PSB lenders (53.7). Bank/institution-wise details of number of frauds of ₹ 1 lakh and above reported by banks to RBI, based on date of occurrence, for FY 2018-19 are given in Statement (*See below*).

Comprehensive measures have been taken to tighten fraud prevention systems and deter perpetration of frauds in banks, including, *inter-alia*, the following:

(1) Government has issued "Framework for timely detection, reporting, investigation etc. relating to large value bank frauds" to PSBs, which provides, *inter-alia*, that— (i) all accounts exceeding ₹ 50 crore, if classified as Non-Performing Assets (NPAs), be examined by banks from the angle of possible fraud, and a report placed before the bank's Committee for Review of NPAs on the findings of this investigation;

- (ii) examination be initiated for wilful default immediately upon reporting fraud to Reserve Bank of India (RBI); and
  - (iii) report on the borrower be sought from the Central Economic Intelligence Bureau in case an account turns NPA.
- (2) As per RBI's instructions on wilful defaulters, lenders may initiate criminal proceedings against wilful defaulters, wherever necessary. Proactive action has been taken against wilful defaulters, with FIRs being registered by PSBs against 3,281 wilful defaulters.
- (3) Fugitive Economic Offenders Act, 2018 has been enacted to deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts. The act provides 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.
- (4) 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 ₹ 50 crore and, decide on publishing photographs of wilful defaulters, in terms of RBI's instructions and as per their Board-approved policy and to strictly ensure rotational transfer of officials/employees. The heads of PSBs have also been empowered to issue requests for issue of Look Out Circulars (LOCs).
- (5) Central Fraud Registry (CFR), based on Fraud Monitoring Returns filed by banks and select financial institutions, has been set up by RBI as a searchable online central database for use by banks. In order to bring transparency and accountability in the larger financial system, bank accounts of 3.38 lakh inoperative companies were frozen over the last two financial years.
- (6) For enforcement of auditing standards and ensuring the quality of audits, Government has established the National Financial Reporting Authority as an independent regulator.
- (7) For management of fraud risk and to direct the focus of banks to 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), with timelines for actions incumbent on banks, for dealing with loan frauds of ₹ 50 crore and above, requiring banks to classify potential fraud accounts as RFAs based on observation/evaluation of Early Warning Signals noticed. The red flagging is done on an information technology platform where all banks report large exposure to entities/individuals so that other banks can be forewarned about fraud risk.

- (8) RBI has issued a circular to all banks in February, 2018 to implement security and operational controls such as straight-through process between the Core Banking Solutions/accounting system and the SWIFT messaging system, enable time-based restrictions in SWIFT, review logs at regular intervals, undertake reconciliation, *etc.* in a time-bound manner.
- (9) RBI has instructed banks to report deficient third party services (such as legal search reports, property valuers' reports *etc.*) and ineffective action against collusion of these providers with fraudsters to the Indian Banks' Association, which maintains a caution list of such service providers.
- (10) Instructions/advisories have 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 policy, and to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than ₹50 crore.
- (11) Government has formed an inter-agency coordination committee to look into the large value bank frauds.

(c) and (d) As per data reported by RBI, details of counterfeit notes of demonetised ₹ 1,000 denomination are as under:

Financial year	Total number of pieces
2016-17	2,56,324
2017-18	1,03,611
2018-19	717
2019-20*	0

\* Data for 2019-20 pertains to the period from 1.4.2019 to 30.6.2019.

Note: Figures cited above for PSBs include those for IDBI Bank Limited, which was recategorised as a private sector bank by RBI with effect from 21.1.2019.

*Statement*

*Details of frauds committed, as reported by Scheduled Commercial Banks and select Financial Institutions, based on date of occurrence, during FY 2018-19 (amount involved ₹ 1 lakh and above)*

Bank	No. of Frauds	
1	2	
Aditya Birla Idea Payments Bank Limited	24	
Allahabad Bank	12	
American Express Banking Corporation	190	Comprehensive measures have been taken to prevent frauds
Andhra Bank	11	including directions to banks to examine all NPA accounts above
AU Small Finance Bank Limited	5	₹ 50 crore from the angle of possible fraud, initiation of
Axis Bank Limited	195	criminal proceedings, enactment of Fugitive Economic Offenders
Bandhan Bank Limited	6	Act 2018, creation of Central Fraud Registry, empowering
Bank of America, National Association	9	heads of Public sector Banks to request for issue Look Out
Bank of Baroda	32	Circular, establishment of the National Financial Reporting
Bank of India	52	Authority, straight-through processing between Core
Bank of Maharashtra	38	Banking System and SWIFT and instituting in PSBs the system
Canara Bank	24	of obtaining certified copies of passport of promoters/directors
Catholic Syrian Bank Limited	8	of companies availing of loans exceeding ₹ 50 crore.
Central Bank of India	45	
Citibank N.A.	168	
City Union Bank Limited	1	
Corporation Bank	5	
DBS Bank Ltd.	3	
DCB Bank Limited	7	
Dena Bank	3	
Deutsche Bank AG	3	

1	2	
Equitas Small Finance Bank Limited	7	
ESAF Small Finance Bank Limited	2	
Federal Bank Limited	9	
Fincare Small Finance Bank Limited	13	
Fino Payments Bank Limited	13	
HDFC Bank Limited	273	
Hongkong and Shanghai Banking Corporation Limited	178	Comprehensive measures have been taken to prevent
ICICI Bank Limited	374	frauds including directions to
IDBI Bank Limited	99	banks to examine all NPA
IDFC Bank Limited	10	accounts above ₹ 50 crore
Indian Bank	20	from the angle of possible
Indian Overseas Bank	30	fraud, initiation of criminal
IndusInd Bank Limited	51	proceedings, enactment of
Jana Small Finance Bank Limited	19	Fugitive Economic Offenders
Karnataka Bank Limited	2	Act 2018, creation of Central
Karur Vysya Bank Limited	7	Fraud Registry, empowering
Kotak Mahindra Bank Limited	338	heads of Public sector Banks
Lakshmi Vilas Bank limited	43	to request for issue Look Out
North East Small Finance Bank Limited	1	Circular, establishment of the
Oriental Bank of Commerce	8	National Financial Reporting
Paytm Payments Bank Limited	2	Authority, straight-through
Punjab National Bank	33	processing between Core
RBL Bank Limited	12	Banking System and SWIFT
SBM Bank (Mauritius) Limited	1	and instituting in PSBs the
Small Industries Development Bank of India	1	system of obtaining certified
		copies of passport of
		promoters/directors of
		companies availing of loans
		exceeding ₹ 50 crore.

1	2
South Indian Bank Limited	19
Standard Chartered Bank	48
State Bank of India	236
Syndicate Bank	27
Tamilnad Mercantile Bank Limited	14
The Bank of Tokyo-Mitsubishi UFJ Limited	1
The Dhanalakshmi Bank Limited	3
UCO Bank	27
Ujjivan Small Finance Bank Limited	7
Union Bank of India	15
United Bank of India	20
Utkarsh Small Finance Bank Limited	4
Vijaya Bank	2
Yes Bank Limited	26

Source: RBI

### Vision for \$5 trillion economy

249. SHRI NARAIN PASS GUPTA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Honourable Minister set a vision for a \$5 trillion economy during Parliament's Budget presentation 2019;

(b) whether the economy increased by \$0.85 trillion in the preceding five years at an average rate of \$0.17 trillion per year;

(c) whether the economy will have to expand by \$3.3 trillion to reach from \$2.7 trillion as on 31.03.2019 to \$5 trillion as on 31.03.2024;

(d) if so, the rate of GDP growth that would be required to achieve the target; and