

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO 852

ANSWERED ON TUESDAY, JULY 27, 2021/05 SRAVANA, 1943 (SAKA)

Defrauding of public sector banks

852 SHRI JOHN BRITTAS:

Will the Minister of FINANCE be pleased to state:

the number of cases where Indian banks are being defrauded to the tune of ₹ 500 crore and above by individuals and companies, and the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE (Dr. BHAGWAT KARAD)

As per the information received from RBI, the number of cases of frauds of ₹ 500 crore and above reported by Public Sector Banks/ Indian Banks (Except Foreign Banks) / Select Financial Institutions are 79 cases in 2019-20, 73 cases in 2020-21 and 13 cases in 2021-22 (up to 30th June 2021).

The RBI Master Circular on Frauds, 2015 observes that frauds are committed by unscrupulous borrowers by various methods including, inter alia, fraudulent discount of instruments, fraudulent disposal of pledged /hypothecated stocks, fund diversion, criminal neglect and mala fide managerial failure on the part of borrowers. The Master Circular also refers to certain other methods, which include forged instruments, manipulated account books, fictitious accounts, unauthorized credit facilities, fraudulent foreign exchange transactions, exploitation of “multiple banking arrangement”, and deficiency on the part of third parties with role in credit sanction/disbursement.

Government has taken comprehensive measures to curb the incidence of frauds in banks. The steps taken include, inter-alia, the following:

(1) Government has issued “Framework for timely detection, reporting, investigation etc. relating to large value bank frauds” to Public Sector Banks (PSBs), for systemic and comprehensive checking of legacy stock of their non-performing assets (NPAs), which provides, inter-alia, that-

- (i) all accounts exceeding Rs. 50 crore, if classified as 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 RBI; and
- (iii) report on the borrower be sought from the Central Economic Intelligence Bureau in case an account turns NPA.

(2) 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.

(3) 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 and, decide on publishing photographs of wilful defaulters, in terms of Reserve Bank of India (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.

(4) For enforcement of auditing standards and ensuring the quality of audits, Government has established the National Financial Reporting Authority as an independent regulator.

(5) 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 Rs. 50 crore.
