

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO: †973
TO BE ANSWERED ON THE 12th FEBRUARY, 2019/MAGHA 23, 1940 (SAKA)

QUESTION
Rising incidents of bank scams and forgery

†973. SHRI NARANBHAI J. RATHWA:

Will the Minister of FINANCE be pleased to state:

- a) whether it is a fact that the incidents of bank scams and forgery are rising every year in the country;
- b) if so, the reasons therefor along with the details thereof; and
- c) the outcome of enquiry into the actions and role of bank officers and employees in this regard?

ANSWER

To be answered by
THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)

(a) to (b): Reserve Bank of India (RBI) monitors frauds reported by banks, in terms of its Master Directions on Frauds — Classification and Reporting, which requires banks to furnish Fraud Monitoring Return in individual fraud cases to RBI electronically within three weeks from the date of detection.

Fraud data reported to RBI is by the year of reporting and not the year of occurrence of the fraud or sanction of loan, Letter of Undertaking (LoU), etc., which may be of an earlier period. As a result, it is not possible from this data to arrive at year-wise increase in banking frauds. However, in terms of RBI data as per year of reporting by banks in respect of the number of frauds involving amount of Rs. 1 lakh and above, Schedule Commercial Banks reported 4,693, 5,076 and 5,917 cases of frauds during the financial years 2015-16, 2016-17 and 2017-18 respectively.

RBI's Master Circular on Frauds 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, unauthorised 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.

(c): In terms of RBI's Master Circular on Fraud, dated 1.7.2015, staff accountability is to be examined at all levels in all cases of frauds and staff side action, if required, is to be completed quickly without loss of time. The said Master Circular further stipulates, *inter- alia*, that cases of frauds may be closed only when the examination of staff accountability has been completed and the bank has reviewed the system and procedures, identified causative factors and plugged the lacunae, and the fact of which has been certified by the bank Board. Banks accordingly examine/ enquire into the actions and role of bank officers and employees, and the outcome of staff side action is as per the bank's service regulations/rules and due process thereunder.