

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:97
ANSWERED ON:29.07.2005
FRAUDS IN NATIONALISED BANK
Thummar Shri Virjibhai;Yadav Shri Giridhari

Will the Minister of FINANCE be pleased to state:

- (a) the details of cases of fraud detected in nationalised banks during the last three years ending March 2005, bank-wise;
- (b) the total amount involved therein;
- (c) the nature for such frauds;
- (d) the number of employees found involved therein;
- (e) the action taken by the Government for the recovery of the said amount and against the officials involved in these frauds;
- (f) the amount recovered so far; and
- (g) the steps taken by the Government to check such frauds in future?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

to (g) : A statement is laid on the Table of the House. Statement referred to in reply to Parts (a) to (g) of Lok Sabha Starred Question No. 97 for 29th July, 2005 by Shri V.K. Thummar and Shri Giridhari Yadav regarding frauds in Nationalised Bank.

(a) to (f): Bank-wise details of fraud cases reported by Nationalised Banks during the last three years ending March 2003, 2004 and 2005 and the amount involved therein are given in Annexure-A. Such frauds relate to misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, negligence and cash shortages, cheating and forgery, irregularities in foreign exchange transactions and others like credit cards, internet banking, computer system frauds etc. As regards action against officials responsible for the frauds, each bank has its own service rules and vigilance machinery governing its employees and domestic inquiries are conducted as per the provisions thereof. Action taken against delinquent employees in nationalised banks for their involvement in fraud cases is given in Annexure-B. The banks have filed suits with Lok Adalats, Courts and Debt Recovery Tribunals for recovery of the amount involved in frauds. The banks are also required to report all cases of frauds to CBI/Police so as to book the culprits and recover the dues of banks. RBI has reported that during the last three years an amount of Rs. 495.89 crore has been recovered.

(g) Measures taken for prevention of frauds include, inter-alia, the following:- ?RBI advised banks to constitute Audit Committee of the Board of Directors, with a view to ensuring that the working of the internal inspection and audit machinery is monitored at the top most level in banks. ? RBI has instructed banks to review and refine the systems and procedures with regard to balancing of books, reconciliation of inter-branch accounts, review of the internal inspection/audit machinery, visit to branches by officials of controlling offices etc. ?Banks must ensure clear demarcation of duties and responsibilities of employees and periodical rotation of staff within the branch and from one branch to another. ?Banks must initiate disciplinary action promptly and awarding exemplary and deterrent punishment to the delinquent employees. ?RBI has also taken up with State Governments for computerization of property records and transactions, recording the encumbrances on the properties mortgaged to the banks with the Registrar of Assurances by payment of a nominal fee etc.? Steps have also been taken to vigorously monitor the large value frauds. All the fraud cases involving rupees one crore and above are monitored by the Department of Banking Supervision. RBI had also advised the banks in January 2004 to constitute a Special Committee of the Board for exclusive monitoring of large value frauds of Rs.1 crore and above.