

FRAUDS ON THE RISE AT BANKS, WARNS RBI

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

The number of cases of fraud reported by banks increased both in terms of numbers and value in 2017-18, the Reserve Bank of India said in its annual report.

Fraud cases, which were generally hovering at about 4,500 in the last 10 years, increased to 5,835 in 2017-18, the report said.

“Similarly, the amount involved in frauds was increasing gradually, followed by a significant increase in 2017-18 to Rs. 410 billion. The quantum jump in the amount involved in frauds during 2017-18 was on account of a large value fraud committed in the gems and jewellery sector, mainly affecting one public sector bank,” the report said. In 2017-18, PSBs accounted for 92.9% of the amount involved in frauds of more than Rs. 0.1 million, while private sector banks accounted for 6%, it said.

Public sector banks (PSBs) accounted for about 85% of the cumulative amount involved in frauds till March 31, 2018, while private banks accounted for a little over 10%.

At the system level, loans in terms of value accounted for more than 75% of frauds, in amounts involving Rs. 0.1 million and more, while deposit accounts accounted for just over 3% of frauds, it added.

Loan frauds

In the loan category of frauds, PSBs accounted for a major share with 87%, followed by private sector banks at 11%.

The share of PSBs in frauds relating to ‘off-balance sheet items’ such as Letter of Credit (LCs), Letter of Undertaking, and Letter of Acceptance was even higher at 96%, RBI said in the report.

Off-balance sheet items accounted for 14.68% of fraud cases. New private sector banks accounted for more than 20% of the frauds related to ‘cash/cheques/clearing’ and ‘foreign exchange transactions’.

Sign up to receive our newsletter in your inbox every day!

Please enter a valid email address.

Our existing notification subscribers need to choose this option to keep getting the alerts.

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com