

RS 71,500 CRORE WORTH OF BANK FRAUDS DETECTED IN FY19: RBI REPORT

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MUMBAI: Indian banking system detected Rs 71,500 crore worth of frauds in financial year 2018-19 which to put in scale is slightly more than the Rs 71,000 crore recapitalisation package planned by the government to revive the health of its public-sector banks.

Interestingly, over 90 percent of these losses were to the government owned banks while the share of incidents that emanated from these lenders was at 55.4 percent.

Overall, 3,766 incidents of frauds were detected in FY19, a 15 percent spike from a year ago, while the losses incurred saw an 80 percent rise from the last year, even as FY18 saw the most infamous banking fraud in India's history where Nirav Modi siphoned off nearly Rs 13,000 crores from Punjab National Bank in February 2018.

"In terms of area of operations, frauds related to advances constituted the preponderant share of the total amount involved in frauds in 2018-19, while the share of frauds in off-balance sheet items declined from a year ago," according to RBI's annual report released on Thursday.

"Frauds relating to card/internet and deposits constituted only 0.3 per cent of the total value of frauds in 2018-19."

Most of these frauds were because cheating and forgery, followed by misappropriation & criminal breach of trust, RBI said. Small frauds less than Rs.1 lakh were just 0.1 percent of the amounts involved.

Another point of concern for regulators and policymakers came from the fact that it took banks an average of nearly 2 years to detect frauds. Large frauds above Rs.100 crore took banks nearly four and a half years to detect, RBI said. Nearly Rs 52,000 crore worth of frauds detected were classified as big frauds.

To curb this menace, the central bank said that it is in talks with various agencies including the Ministry of Corporate Affairs to create an interlinked database for fraud monitoring. In furtherance, the regulators said that analytic engines of banks and user interface of fraud registry would be improved to create a more robust monitoring system.

The RBI, in the report, said that they also subjected 57 banks through IT examination to check their cyber security preparedness and compliances.

"Targeted thematic examinations were also carried out, focusing on applications, infrastructure and systems used by the banks."

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