

SHARP DECLINE IN PSB FRAUD AMOUNT, CENTRE TELLS PARLIAMENT

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

Comprehensive steps taken to curb fraud in public sector banks (PSBs) have resulted in a sharp decline in the amount involved, from Rs. 50,329 crore in 2013-14 to just Rs. 3,781 crore in the first three quarters of 2019-20, according to the Finance Ministry.

An online searchable database of frauds reported by banks, in the form of Central Fraud Registry, has been set up to enable timely identification, control and mitigation of fraud risk and for carrying out due diligence during the credit sanction process, the Ministry said in response to a question in the Lok Sabha.

The Fugitive Economic Offenders Act is being invoked to attach and confiscate the assets of violators and strip them of the entitlement to defend any civil claim.

The PSBs have been told to get certified copies of passports of promoters and directors and other authorised signatories of companies availing themselves of loan facilities of more than Rs. 50 crore. They also have been advised to decide on publishing photographs of wilful defaulters as per procedure.

The government has also asked these banks to strictly ensure rotational transfer of officials to mitigate the possibility of their involvement in any fraud. The bank heads have been empowered to issue requests for opening look-out circulars against suspects.

Inoperative companies

“For enforcement of auditing standards and ensuring the quality of audits, the government has established the National Financial Reporting Authority as an independent regulator... bank accounts of 3.38 lakh inoperative companies have been frozen,” said the government.

The Ministry, in reply to another question, said over 21,000 instances of fraud related to ATMs, debit/credit cards and Internet banking, involving about Rs. 128 crore, were reported by the commercial banks and select financial institutions from October to December 2019.

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