

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:2648  
ANSWERED ON:07.03.2003  
CORRUPTION AMONGST BANK EMPLOYEES  
HARIBHAI PARTHIBHAI CHAUDHARY;LAXMAN GILUWA

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

- (a) the details of those officers/ employees of Public Sector Banks, who have been accused of corruption and fraud during each of the last three years;
- (b) the number of such officials dismissed from service as on 28th February, 2003;
- (c) the measures taken by the Government to check corruption and fraud in banks; and
- (d) the success achieved by the Government from the measures taken?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b):- Reserve Bank of India (RBI) has reported that as per the data available with them the details of officers/employees of public sector banks involved in corruption and frauds and action taken against them during the years 2000, 2001 and 2002 (upto September), as reported by public sector banks are given as under:-

Year	No. of employees Convicted	No. of employees awarded major/ minor penalties	Out of II, dismissed/ discharged/ removed
	I	II	III
2000	57	1624	429
2001	55	1686	380
2002 (upto Sept.)	67	1055	285

(c) & (d) :- RBI and Government have taken several measures to prevent frauds in banking industry. Banks have been advised from time to time about the common fraud prone areas, modus operandi employed by fraudsters and the measures required to be taken to prevent their recurrence. A comprehensive review of frauds and malpractices in banks was undertaken by a committee headed by Shri A. Ghosh, the then Dy. Governor, RBI and the recommendations made by the Committee have been advised to the banks for implementation. Banks have been directed to institute a system of concurrent audit covering 50% of their business and ensuring that the work of the inspection and audit machinery is monitored at the top level by the Audit Committee of the Board of Directors. Based on the modus operandi observed in frauds reported by banks, RBI has issued instructions in regard to exercising caution while opening deposit accounts, implementation of the concept of 'Know your customer', proper custody and maintenance of security forms, keeping a close watch over the operations of newly opened accounts, exercising caution while opening LCs and issue of guarantees, intensive screening of candidates at the time of recruitment, initiating disciplinary action promptly, and awarding exemplary and deterrent punishment to the delinquent employees, etc. Although the above measures have prevented occurrence of frauds in banks and also have a deterrent effect, it may not be possible to quantify the success of these measures.