

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4038
ANSWERED ON:14.12.2001
VALUED CUSTOMERS OF BANKS
SRICHAND KRIPALANI

Will the Minister of FINANCE be pleased to state:

- (a) whether attention of the Government has been drawn to the news-item appearing in the Hindu, New Delhi dated November 12, 2001 captioned 'Valued Customers taking banks for a ride';
- (b) if so, the facts of the matter reported therein;
- (c) whether in majority of cases of bank frauds there valued customers are bound to be stripping the banks of substantial amounts as bank managers never bother to cross-check and verify the assets of such customers;
- (d) if so, whether the Government had given any direction to the banks to stick to the guidelines of the banking irrespective of the value of the customers; and
- (e) the steps taken by the Government to ensure the strict compliance of these directions?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b):- Yes Sir. The cases regarding Ketan Parekh Group, M/s. Cyber Space Ltd. and MVR Group mentioned in the news- item have been referred by the respective banks to Central Bureau of Investigation for investigation.

(c):- Reserve Bank of India has reported that frauds take place in borrowal accounts including accounts of high value customers. Some of the constituents which defrauded the banks were found to have been banking with the banks for the last several years.

(d) & (e):- Reserve Bank of India have issued instructions to Banks in areas like opening of accounts, monitoring of new accounts, balancing of books, verification of high value cheques, drafts and other instruments sent for clearing/collection, issue/ payment of demand drafts, mail transfers and telegraphic transfers, discounting/purchase of telegraphic transfers, opening of Letters of Credit, issue of Guarantees and co-acceptance of bills etc. Banks have to ensure internal audit and inspection, concurrent audit and statutory audit. Annual financial inspections and special audits are also conducted by RBI to ensure strict compliance of the guidelines. The guidelines have to be observed irrespective of the value of customers.

Annexure

Statement showing bank-wise number of frauds and amount involved therein as reported by public sector banks to Reserve Bank of India during the years 1999 and 2000.

(Rs. in crore)

Sl. No.	Name of the Bank	1999 No. of frauds	2000 Amount	1999 No. of frauds	2000 Amount
1.	State Bank of India	492	04 30.50	546	23.03 05 269.15
2.	State Bank of Bikaner and Jaipur	18	3.87	12	5.82
3.	State Bank of Hyderabad	32	64.36	32	15.13
4.	State Bank of Indore	07	0.86	15	0.92
5.	State Bank of Mysore	31	0.92	34	0.71

6.	State Bank of Patiala-	24	40.47	20	0.74
7	State Bank of Saurashtra	08	0.22	10	6.88
8.	State Bank of Travancore	39	15.60	23	0.37
9.	Allahabad Bank	39	0.55	55	3.30
10.	Andhra Bank	39	11.62	102	14.36
11.	Bank of Baroda	64	2.09	83	2.35
12.	Bank of India	140	13	22.24	94.17
		151	03	33.13	1.34
13.	Bank of Maharashtra	16	0.58	03	6.57
14.	Canara Bank	286	87.79	203	53.85
15.	Central Bank of India	74	13.75	44	3.94
16.	Corporation Bank	13	0.78	37	17.50
17.	Dena Bank	39	28.08	13	2.30
18.	Indian Bank	69	13.26	55	3.88
19.	Indian Overseas Bank	55	8.06	41	17.88
20.	Oriental Bank of Commerce	10	0.45	22	18.66
21.	Punjab National Bank	54	33.51	49	22.52
22.	Punjab & Sind Bank	12	11.02	14	13.23
23.	Syndicate Bank	97	3.19	107	8.66
24.	Union Bank of India	68	1.78	43	5.60
25.	United Bank of India	33	1.82	51	1.43
26.	UCO Bank	47	1.25	45	2.88
27.	Vijaya Bank	16	20.81	40	5.21
	Outside India				(Data provisional)