

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:61  
ANSWERED ON:09.07.2004  
CORRUPTION IN PUBLIC SECTOR BANKS  
Meghwal Shri Kailash;Yadav Shri Giridhari

**Will the Minister of FINANCE be pleased to state:**

- (a) the important recommendations made by the Mitra Committee;
- (b) whether these recommendations are implemented by all the banks in the country;
- (c) if so, whether in spite of these recommendations and steps taken by the Government, corruption and fraud cases are on the rise;
- (d) if so, the cases so detected during the last two years till date, bank-wise;
- (e) the reasons for increasing corruption in banks;
- (f) whether the CBI has recently conducted raids on officers of some of the banks;
- (g) if so, the outcome thereof; and
- (h) the action taken by Government to check corruption in banks?

**Answer**

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (h) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (h) OF LOK SABHA STARRED QUESTION NO. 61 FOR 9th JULY 2004 BY S/SHRI GIRIDHARI YADAV AND KAILASH MEGHWAL REGARDING CORRUPTION IN PUBLIC SECTOR BANKS.

(a) & (b) : The recommendations of the Mitra Committee Report submitted to RBI in August, 2001 comprise two parts-

Part -I : Dealing with In-house Preventive Measures; and  
Part -II: Dealing with prohibitive aspects requiring legislative changes for implementation.

The major recommendations of the Mitra Committee include development of best practice code, internal check and control, criminalisation of financial frauds, separate investigating authority for investigating serious financial frauds, special court for trying such offences and separate Act to deal with financial frauds.

Reserve Bank of India (RBI) has advised that all the Public Sector Banks have implemented the recommendations contained in Part I of the Mitra Committee. RBI has set up the Board for Financial Supervision. Government have set up the Serious Fraud Investigation Office.

(c),(d) & (e) : A statement showing bank-wise number of fraud cases as reported by Public Sector Banks to Reserve Bank of India during the years 2002, 2003 and 2004 (upto March 2004) is at Annexure-A. RBI has reported that increase in the number of fraud cases during the year 2003 as compared to the cases reported during the year 2002, was mainly due to the increase in fraud cases in the area of credit cards and to some extent, in the housing loans/personal segment. RBI has also reported that during the calendar year 2002, 493 employees of public sector banks were awarded major/minor penalties for their involvement in cases of corrupt practices as against 509 employees during the calendar year 2003. This indicates that there has been a marginal increase in the number of such cases during the year 2003 as compared to the year 2002. Some of the reasons for increase in such cases are: decline in moral values in the society at large, long drawn process of conviction, considerably long time taken by investigating agencies, etc.

(f) & (g) : Central Bureau of Investigation (CBI) has reported that it has registered 43 cases against 59 officials of 17 Public Sector

Banks. CBI has also reported that raids were conducted by CBI during 1.1.2004 to 30.6.2004. Details of such cases are given in Annexure - B.

(h) Government have taken several measures to prevent corruption in the banking industry. Banks have been advised to strengthen the vigilance set up and introduce preventive and prohibitive measures. The functioning of vigilance system is reviewed during the course of onsite inspection. Steps to check corruption include introduction of a system of concurrent audit; monitoring of working of internal inspection and audit machinery at the top most level in banks; clear demarcation of duties and responsibilities of employees; periodical rotation of staff; prompt disciplinary action and awarding exemplary and deterrent punishment to the delinquent employees; intensive screening of candidates at the time of recruitment. In order to have a strong vigilance set up in banks to curb corruption, Chief Vigilance Officers have been appointed at the level of General Managers from among officers of RBI and other Banks in consultation with the Central Vigilance Commission. This system has been working quite effectively as these officers are from outside the Bank and can take steps to prevent corruption.

#### Annexure-A

#### STATEMENT SHOWING NUMBER OF FRAUDS AS REPORTED BY PUBLIC SECTOR BANKS TO RESERVE BANK OF INDIA DURING THE YEARS 2002, 2003 AND 2004 (upto March).

Name of the Bank 2002 2003 2004 (upto March)

State Bank of India 416 477 68

(Overseas Branch) 04 10 00

State Bank of Bik. & Jaipur 20 19 07

State Bank of Hyderabad 39 48 18

State Bank of Indore 18 18 01

State Bank of Mysore 09 15 02

State Bank of Patiala 11 08 17

State Bank of Saurashtra 09 08 04

State Bank of Travancore 08 15 03

Allahabad Bank 49 36 09

Andhra Bank 49 52 12

Bank of Baroda 85 146 68

(Overseas Branch) 01 09 03

Bank of India 77 97 38

(Overseas Branch) 02 02 01

Bank of Maharashtra 06 10 02

Canara Bank 192 164 48

(Overseas Branch) 00 00 00

Central Bank of India 45 108 22

Corporation Bank 44 101 11

Dena Bank 26 46 14

Indian Bank 75 75 16

Indian Overseas Bank 48 54 14

Oriental Bank of Commerce 28 24 08

Punjab National Bank. 65 267 64

Punjab & Sind Bank 22 30 06

Syndicate Bank 118 103 34

Union Bank of India 64 59 15

United Bank of India 45 42 10

UCO Bank 42 91 14

Vijaya Bank 26 59 11

TOTAL 1643 2193 540

(Data provisional)

#### Annexure-B

STATEMENT SHOWING DETAILS OF CASES REGISTERED BY CENTRAL BUREAU OF INVESTIGATION AGAINST THE BANK

OFFICIALS OF PUBLIC SECTOR BANKS IN WHICH RAIDS HAVE BEEN CONDUCTED BY CBI DURING 1.1.2004 TO 30.6.2004

Name of the Bank    No.of cases registered    No. of Officials raided

State Bank of India	05	07
State Bank of Indore	01	02
State Bank of Travancore	02	02
Allahabad Bank	02	05
Andhra Bank	02	01
Bank of Baroda	01	02
Bank of India	01	01
Canara Bank	03	02
Central Bank of India	06	02
Corporation Bank	01	03
Dena Bank	02	02
Oriental Bank of Commerce	02	06
Punjab National Bank	05	06
Syndicate Bank	02	01
UCO Bank	04	03
United Bank of India	02	02
Vijaya Bank	01	02

TOTAL    43    59

(Data provisional)