

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1640

ANSWERED ON:01.12.2006

SCAM IN CANARA BANK

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware of loan scam in Canara Bank as reported in Times of India, dated November 8, 2006;
- (b) if so, the details thereof;
- (c) whether the vigilance inquiry revealed that some officials of the bank in connivance with fictitious companies have reimbursed loans worth many crore of rupees;
- (d) if so, the details thereof; and
- (e) the action taken by the Government against the erring officials and also to take further action to check such scams in future ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) Yes, Sir. A news item had appeared in The Times of India dated 8.11.2006 regarding loan scam in Canara Bank. RBI has reported that during August 2006, the Chandni Chowk branch of Canara Bank reported, to the Circle Office, several cash credit accounts sanctioned during 2003-2006 under `Special Watch Category` Delhi. An investigation conducted into the account revealed serious irregularities in the credit portfolio of the branch.

(c) & (d) It has been reported that during the years 2001-2006, out of the 231 accounts sanctioned by the Chief Manager, with an outstanding amount aggregating Rs.103.71 crore, 63 accounts amounting to Rs.35.94 crore had turned NPAs. The net realizable value of the security in these 231 accounts was estimated at Rs.60.11 crore, leaving a net deficit of Rs.43.60 crore. Large scale irregularities have been observed by not following the Know Your Customer (KYC) norms. The investigation report has revealed collusion of branch officials with middlemen and the parties.

(e) The officials suspected to be involved have been placed under suspension pending initiation of disciplinary action. The bank has lodged a complaint with the CBI, BSFC, New Delhi. There is an established procedure with regard to disciplinary action against the erring officials and the bank has taken appropriate action as per procedure. RBI, as a part of its supervisory responsibility, has been advising banks from time to time about the common fraud prone areas and the measures to be taken by them to prevent/reduce the incidents of frauds in banks.