

LOK SABHA

Friday, August 12, 1983/Sravana 21,
1905 (Saka)

The Lok Sabha met at Eleven of the Clock

[MR. SPEAKER *in the Chair*]

ORAL ANSWERS TO QUESTIONS

Defrauding of Banks by one Family Members

*287. †SHRI HANNAN MOLLAH :
SHRI AJIT BAG :

Will the Minister of FINANCE be pleased to state :

(a) whether attention of Government has been drawn to the news-item captioned "Rs. 6-crore faurd on 10 banks" appeared in Stateman dated 12 May, 1983 ;

(b) whether it is a fact that members of one family have successfully defrauded banks to the tune of over Rs. 6 crores ;

(c) whether there is any involvement of top officers of the concerned banks in this matter ;

(d) if so, action being taken to apprehend the culprits soon ; and

(e) if not, the reasons thereof ?

THE DEPUTY MINISTER IN THE
MINISTRY OF FINANCE (SHRI
JANARDHANA POOJARY) : (a) Yes
Sir.

(b) to (e) Reserve Bank of India has reported that ten banks, including four foreign banks, are reported to have been defrauded to the extent of Rs. 7.30 crores roughly. The Reserve Bank of India, which enquired into the matter, has reported several irregularities. Reserve Bank of India has already advised the concerned banks to

take appropriate remedial steps and to fix responsibility on individual officers. In the meantime, on a complaint filed by Banks of Baroda, Central Bureau of Investigation has registered a case. The investigation is in progress.

SHRI HANNAN MOLLAH : Sir, I don't know why the Hon. Minister is concealing the name of the particular family which is related to this fraud on ten banks.

PROF. MADHU DANDAVATE :
Which family he is concealing ?

SHRI HANNAN MOLLAH : I don't know, but the Minister is concealing. Through you, Sir, I would like to know how could the Banks allow cash credit facilities to a particular family and thus allow them to defraud in such a way without proper verification of the antecedents of the family. Will the Hon. Minister tell the names of these people and how has this happened ?

Part (b) or my question is why have the law enforcing authorities failed to arrest those people ?

SHRI SATYASADHAN CHAKRABORTY : Yes, you arrest us so often ; why don't you arrest them ?

SHRI JANARDHANA POOJARY :
Sir, I would like to give the nams of the parties concerned. One D.M. Kharus is a senior retired Officer of the Central Bank and the concern consists of D.M. Kharus, the retired Central Bank Officer, his wife, P. Kharus and his son K.D. Kharus.

(Interruptions)

SHRI JANARDHANA POOJARY :
Sir, in the year 1979, they started the business. And they started business in a number of concerns. They claimed that they got some dealership and also agency arrangements for the products of Johnson and Johnson, Boyce Manufacturing Co., Voltas and also for Godrej products.

SHRI HANNAN MOLLAH : It is slowly becoming a feature of our banking system—this fraud. So, I want to know this from the Minister : during the last three years, how many cases of fraud occurred, what was the total amount of money defrauded, and what is the nature of these frauds ? (*Interruptions*)

Secondly, how many people, private and official, were detected and arrested, and against how many persons has action been taken ?

SHRI JANARDHANA POOJARY : In the year 1982, there were about 2065 frauds involving an amount of Rs. 19.44 crores. In the year 1981, there were 1891 frauds involving an amount of Rs. 20.34 crores ; and in the year 1980, there were 1594 frauds involving an amount of Rs. 8.40 crores. As far as the involvement of bank officials is concerned, in the year 1982, 408 persons were punished, in 1981, 450 bank officials were punished.

SHRI SATYASADHAN CHAKRABORTY : What is the nature of punishment ?

SHRI K. MAYATHEVAR : Defrauding cheating, 420 and so many other things are there. Were they suspended or dismissed ?

SHRI JANARDHANA POOJARY : Some people were discharged also. Some people were dismissed. Some people were demoted. Some people were reverted. I can place the information on the Table of the House.

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE) : I will give you some examples. In some cases, people were removed from service. For instance, take the Central Bank of India : out of 14 persons found guilty, ten were removed from service : Bank of Baroda—out of 27 persons found guilty, 16 persons were removed from service, either removed or dismissed. So in a majority of cases these officers who were found guilty have been removed. In some cases where the ..

SHRI PRANAB MAITRA : What about criminal cases ?

SHRI PRANAB MUKHERJEE : Don't

confuse all these issues together. so far as banks are concerned, they will have to take action after the cases are established ; and when the matters are brought to the court by the investigating agencies, then court has to decide. So far as action taken by the banks on the basis of certain findings by themselves is concerned, I am just relating to that. Therefore, it is not correct to come to the conclusion that merely by giving warning or by stopping increments in a majority of cases, the punishment has been given. So far as punishment that can be given by banks is concerned, they can dismiss people. They cannot kill the people.

SHRI AJIT BAG : I would like to cite one specific case. I know the Punjab and Sind Bank is one of the six nationalized banks defrauded by the particular family under the title of P. Kharas and Co. and this was done in collusion with the Branch Manager of its Fort Branch in Bombay who did not care to check up the store of the said fake company before hypothecation. May I know from the hon. Minister why no step has been taken against this dishonest officer and his allies among the higher ups ? In view of the gravity of the problem, what steps the government propose to take to prevent such malpractices involving crores of rupees on the national plane ?

SHRI SATYASADHAN CHAKRABORTY : Is it that they are taking part of their national wealth ?

SHRI PRANAB MUKHERJEE : You are responsible for that—your union.

SHRI SUNIL MAITRA : Are we responsible ?

SHRI PRANAB MUKHERJEE : Yes.

SHRI SUNIL MAITRA : But you are giving protection to the thieves ; you prosecute them.

SHRI PRANAB MUKHERJEE : You have never said it so.

SHRI INDRAJIT GUPTA : What about the Chairman of the Cyndicate Bank ?

SHRI PRANAB MUKHERJEE : That may be one and this is 100.

SHRI JANARDHANA POOJARY : So far as instant case if concerned, what steps we have taken we have already mentioned.

MR. SPEAKER : Whosoever does it must be Punished.

(Interruptions)

SHRI K. MAYATHEVAR : He will be promoted because of more and more corruption.

SHRI JANARDHANA POOJARY : Already the RBI has set up a special cell to go into the cases of fraud and malpractices with wider ramifications ; and also our hon. Finance Minister had called a meeting of the Chief Executives on 14.4.83 and impressed upon them the need for streamlining the administration. We have identified areas where there are deficiencies and we have suggested remedial measures. Even the Chief Executives of the banks, the Executive Directors, the General Managers and also the Regional Managers and the Divisional Managers, all these people have been asked to pay surprise visits to the banks and also to identify the area where these deficiencies are occurring. So far as co-operation of the union is concerned, unfortunately, it is not coming forward. On the contrary, the threats are coming to us for paying surprise visits. So far as surprise visits are concerned, I myself have paid surprise visits ; in-cognito surprise visits to so many branches of the banks throughout the country, I found some of the deficiencies and that has been reported to the Finance Minister ; in turn, the Finance Minister convened a meeting of the Chief Executives and that has been brought to the notice of the banks people and remedial measures are being taken.

PROF. MADHU DANDAVATE : Is it not a fact that on 5.8.1983, when I asked the Finance Minister whether it is a fact that in 1980-81, 1981-82 and 1982-83, 5069 frauds were committed in the public sector banks, he indicated that this report was almost correct, because I had made that statement on the basis of the RB's report, if it is so, a large number of frauds have already taken place in these three successive years ? is it not a fact that these frauds are continuing because in some of the major cases of corruption and frauds in the bank like the

State Bank of India, no action is taken in particular in the case of the famous Nagarwala affairs in the State Bank of India where Rs. 60 lakhs were illegally withdrawn ? May I know whether any action was taken, whether it is true that due to a number of manipulations, certain deaths taken place and, therefore, the entire enquiry is intercepted.

SHRI PRANAB MUKHERJEE : First of all, I would like to remove the wrong impression the hon. Member has about the total number of frauds running to 5000 and odd. I had the break-up but I did not give it. I said, you are telling the figure; the figure is not readily available with me and I contradicted it. In 1980, the number of cases the bans registered was 199 ; in 1981, it was 226 ; in 1982, it was 282 and in 1983, upto 15th March, 1983, it was 39. The total is 746 uptodate. In regard to Nagarwala case, I would most respectfully submit that when the hon. member was the Minister, they appointed a commission. All these things were looked into ; and it is of no use repeating the old story. We know how best they tried to implicate some of the persons who were Ministers before them. And how miserably they failed. I think, instead of repeating and bringing these old things again and again, they should ponder over what type of mistakes they made and they should not repeat them in future when they come to power.

PROF. MADHU DANDAVATE : He has given certain figures, I think, he has taken only one sector of banks. The figures for 1980 are like this : State Bank of India and its Associates 439, 14 nationalised banks—1024 and 6 other nationalised banks—131. Total for all public sector banks—1594. That is the break up. probably, you are taking only one sector of banks and not all the three sectors—State Bank of India and its Associates, 14 nationalised banks and 6 nationalised banks. I am speaking on the basis of the report that is supposed to be given by the Reserve Bank of India, which has been published in a number of economic journals.

SHRI PRANAB MUKHERJEE : I am afraid I cannot go by the report of the economic journals. I go by the information given to me.

PROF. MADHU DANDAVATE : You have to use economic journals .

SHRI PRANAB MUKHERJEE : All these banks are located in some States. Banks are not located in the sky. Cases of fraud are registered with some authority. And I have given the statewise break-up starting from Assam to Gujarat and from Jammu and Kashmir—I do not know whether we have any branch in Pygmalion Point—at least to the southern-most tip of the country.

Smuggling Racket Unearthed by Bombay Customs

*289. †SHRI BALKRISHNA WASNIK:
SHRI K. LAKKAPPA :

Will the Minister of FINANCE be pleased to state :

(a) Whether it is a fact that the Air Intelligence Unit of Bombay Customs has recently unearthed a racket of smuggling foreign currency out of the country through parcels ;

(b) if so, the particulars of the party involved in this racket ;

(c) the details of the currency seized in the parcels ; and

(d) the action contemplated by Government against the persons involved ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PATTABHI RAMA RAO) : (a) to (d) A statement is laid on the Table of the House.

(a) and (c) The officers of the Air Intelligence Unit of Bombay Customs seized on 7.7.1983 from an export consignment of vegetables, foreign currencies equivalent to Rs. 2.44 lakhs as per details given below :

Kuwait Dinars	: 1,190/-
UAE Dirhams	: 28,000/-
Omani Riyals	: 2,830/-
Saudi Arabia	
Riyal	: 4,400/-
Bahrain Dinars	: 1,320/-
U.S. Dollars	: 1,600/-
Qatar Riyals	: 500/-

(b) and (d) Two persons have been arrested. Since the case is still under investigation, it will not be in the interest of effective investigation to give further details at this stage. However, action under the appropriate laws will be taken against the persons found involved in the case.

SHRI BALKRISHNA WASNIK : It has been mentioned in the statement that the officers of the Air Intelligence Unit of Bombay Customs seized on 7.7.83 from an export consignment of vegetables, foreign currencies equivalent to Rs. 2.44 lakhs. The countries mentioned in the statement are mainly the Gulf countries except US dollars equivalent to Rs 1600/-. The amount of currency received from the Gulf countries to our country is very great and the foreign currency seized is a very small amount. It is understood that a number of trading firms are involved in this. May I know whether the licences of such export firms which have been found involved in this kind of racket, have been cancelled ?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE) : When the case is established we will take various actions including this. But it will not be possible just now to indicate what type of action will be taken when the whole matter is under investigation.

SHRI BALKRISHNA WASNIK : Is it a fact that some of the large industrial houses and some of the organised groups are involved in despatching such parcels where the currency have been found ? Is the Government aware that a sort of parallel post office like organisation is functioning and is being conducted by these large houses ? Every day parcels are carried from India to these countries. Has this come to the notice of the Government ? May I know whether all such parcels are checked and what other remedial measures the Government are taking in this matter ?

SHRI PRANAB MUKHERJEE : Sir, whenever some doubts or suspicions arise or we get some information, definitely we check these parcels. In the text of the answer I myself pointed out that on the basis of Air Intelligence, some actions for safety were taken and this is one of the devices the foreign exchange racketeers and others do deploy to have illegal transactions, The