

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA
UNSTARRED QUESTION NO +128**

ANSWERED ON 03rd February, 2020 (Monday)/ Magha 14, 1941 (Saka)

BANKING CORRUPTION

+128. Shri Pashupati Nath Singh:
Shrimati Ranjeeta Koli:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is fully aware and committed to work towards implementing the policy of zero tolerance against banking corruption;
- (b) if so, the works undertaken under the said policy and the extent to which corruption has been controlled through it so far;
- (c) the reaction of the Government thereto; and
- (d) the details of works undertaken to set up special court under the said policy and the outcome thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE (**SHRI ANURAG SINGH THAKUR**)

(a) to (c) : Yes, Sir. Banking Corruption and occurrence of frauds was enabled by lack of discipline in the financial system and a lax credit culture across various stakeholders. The role of bankers too was also not as rigorously examined earlier, and auditors were not independently regulated. Through extensive reforms, change in credit culture has been instituted and tightened for every stakeholder in the financial system which has enabled a tighter check on corruption and decline in the occurrence of frauds.

The impact of the above steps is reflected in Reserve Bank of India (RBI)'s Financial Stability Report (FSR) of June 2019. As per FSR, systemic and comprehensive checking of legacy stock of NPAs of PSBs for frauds has helped unearth frauds perpetrated over a number of years, which is getting reflected in increased number of reported incidents of frauds in recent years compared to previous years. Further, based on the date of occurrence, the number of bank frauds involving an amount of Rs. 1 lakh and above for the last five financial years, as reported by Public Sector Banks to RBI, has declined steadily, and the details, including amount involved therein, are as under:

FY of occurrence	Number	Amount(in crore Rs.)
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2014-15	2,630	20,005
2015-16	2,299	15,163
2016-17	1,745	24,291
2017-18	1,545	6,916
2018-19	739	5,149

Source: RBI

The Government of India, in pursuance of its commitment to "Zero Tolerance Against Corruption" has taken several measures to combat corruption which, inter-alia, include:

(1) Key reforms have been instituted in PSBs as part of PSBs Reforms Agenda which include:

(i) Board-approved Loan Policies of PSBs now mandate tying up necessary clearances/ approvals and linkages before disbursement, scrutiny of group balance-sheet and ring-fencing of cash flows, non-fund and tail risk appraisal in project financing.

(ii) Use of third-party data sources for comprehensive due diligence across data sources has been instituted, thus mitigating risk on account of misrepresentation on fraud.

(iii) Monitoring has been strictly segregated from sanctioning loans in high value loans, and specialized monitoring agencies combining financial and domain knowledge have been deployed for effective monitoring of loans above Rs 250 crores.

(iv) To ensure timely and better realization in one-time-settlements (OTSs), online end-to-end OTS Platforms have been set up.

(2) Systemic improvements and reforms to provide transparent citizen- friendly services and reduce corruption. These, inter-alia, include:

(i) Disbursement of Welfare benefits directly to the citizens under various schemes of the Government in a transparent manner through the Direct Benefit Transfer initiative.

(ii) Implementation of E-tendering in public procurements.

(iii) Introduction of e-Governance and simplification of procedure and systems.

(iv) Introduction of Government procurement through the Government e-Marketplace (GeM).

(3) The Prevention of Corruption Act, 1988 has been amended on 26.07.2018 to bring a paradigm shift in tackling corruption in as much as clearly criminalizing the act of giving bribe etc.

(4) In this direction, various other measures have been taken by the Government which include, adoption of Integrity Pact in major Procurement activities, operationalization of the institution of Lokpal and Discontinuation of interviews in recruitment of Group 'B' (Non-Gazetted) and Group 'C' posts in Government of India.

Further, PSBs have a Board approved Staff Accountability Policy and regulations for taking action against officials involved in irregularities. Whenever any irregularities are found or observed on the part of Public Sector Bank's official(s), the Banks initiate action, wherever required in consultation with

Central Vigilance Commission, as per applicable rules/ regulations of the bank; and commensurate punishment is awarded to the delinquent employees based on the seriousness of the wrongdoings and action is taken by the PSBs based on the relevant Service Rules/ Regulations and RBI guidelines.

(d): CBI has informed that on the directions of Hon'ble Supreme Court of India, 92 (70+22) Additional Special Courts for trial of corruption cases of the CBI were sanctioned on 02 occasions and as on date, out of 92 Special Courts, 90 Courts are operational.
