



A REVIEW ON BANKING SECTOR FRAUD – PRIVATE BANKING

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Abstract

Clearly, it is tons less difficult to defraud public zone banks than personal area ones in India and the figures speak volumes approximately the way the latter are run. According to the Reserve Bank of India's (RBI) annual document for 2017-18, during 2017-18, public region banks accounted for nearly all (ninety two.9 according to cent) of the quantity involved in frauds. While the non-public area banks accounted for 6 per cent. With regards to the cumulative amount worried in frauds until March 31, 2018, PSBs accounted for round 85 according to cent, at the same time as the personal sector banks accounted for a bit over 10 in line with cent.

Introduction

Banking frauds in standard are on the rise. According the valuable bank's annual record, the quantity of cases on frauds stated by way of banks were typically soaring at round 4500 inside the ultimate 10 years earlier than their increase to 5835 in 2017-18. The amount involved in frauds was growing regularly, observed by using a good sized boom in 2017-18 to Rs 410 billion. "The quantum jump in the amount worried in frauds at some stage in 2017-18 became as a consequence of a huge price fraud committed in gems and jewelry quarter, specially affecting one public sector bank (PSB)," the relevant financial institution reasoned.

ICICI Bank suggested the very best 6,811 frauds regarding Rs 5,033.81 crore; SBI reported 6,793 fraud cases involving Rs 23,734.74 crore; and HDFC Bank recorded 2,497 involving Rs 1,2 hundred.74 crore Of over 50,000 frauds that hit banks in India in the ultimate eleven financial years, the ICICI Bank, State Bank of India (SBI) and HDFC Bank pronounced highest variety of cases, in line with an RBI records. Of the total 53,334 instances of frauds stated at some point of 2008-09 and 2018-19 monetary years, regarding a whopping Rs 2.05 lakh crore, a highest of 6,811 were mentioned via the ICICI Bank related to Rs five,033.81 crore.

The nation-run State Bank of India (SBI) mentioned 6,793 fraud cases concerning Rs 23,734.74 crore accompanied with the aid of HDFC Banks which recorded 2,497 such instances regarding Rs 1,2 hundred.74 crore, in step with the facts given by way of the crucial bank in response to an RTI query filed with the aid of this correspondent. The Bank of Baroda pronounced 2,one hundred sixty fraud instances (involving Rs 12,962.96 crore), Punjab National Bank 2,047 frauds (Rs 28,seven hundred.74 crore) and Axis Bank had 1,944 fraud cases related to RS 5,301.69 crore public money.

As many as 1,872 frauds concerning Rs 12,358.2 crore become reported through Bank of India, 1,783 via Syndicate Bank (Rs 5830.85 crore) and Central Bank of India's 1, 613



instances involving Rs 9041.98 crore, the records suggest. IDBI Bank Ltd pronounced 1,264 fraud instances concerning Rs 5978.96 crore, Standard Chartered Bank 1,263 cases involving Rs 1221.41 crore, Canara Bank 1,254 instances of Rs 5553.38 crore, Union Bank of India 1,244 frauds of Rs 11,830.74 crore and Kotak Mahindra 1,213 instances regarding Rs 430.46 crore.

In that duration, Indian Overseas Bank reported 1,115 frauds regarding Rs 12,644.7 crore, at the same time as Oriental Bank of Commerce 1040 cases of Rs five,598.23 crore. The United Bank of India pronounced 944 cases of frauds concerning Rs 3052.34 crore, State Bank of Mysore 395 cases of Rs 742.31 crore, State Bank of Patiala 386 cases (Rs 1178.77 crore), Punjab and Sind Bank 276 cases (Rs 1154.89 crore), UCO Bank 1081 frauds (Rs 7104.77 crore), Tamilnad Mercantile Bank Ltd 261 instances (Rs 493.92 crore) and Lakshmi Vilas Bank Ltd reported 259 frauds (Rs 862.64 crore).

Some of the overseas banks working in India also pronounced fraud instances well worth crores over the past eleven economic years. American Express Banking Corporation stated 1,862 fraud cases of Rs 86.21 crore, Citi Bank 1,764 cases of Rs 578.09 crore, Hongkong and Shanghai Banking Corporation (HSBC) Ltd 1,173 frauds of Rs 312.1 crore and The Royal Bank of Scotland Plc mentioned 216 frauds concerning Rs 12.69 crore, the RBI statistics said.

A total of 274 cases of frauds had been said via the State Bank of Travancore concerning Rs 694.61 crore, Jammu and Kashmir Bank Ltd mentioned 142 such cases of Rs 1639.9 crore, The Industrial Finance Corp of India had 9 instances of Rs 671.66 crore, The Dhanlakshmi Bank Ltd 89 cases of Rs 410.93 crore and Vijaya Bank reported 639 instances concerning Rs 1,748.9 crore.

Yes Bank Ltd pronounced 102 fraud cases regarding Rs 311.96 crore and Paytm Payments Bank Limited said two cases of Rs zero.02 crore (or Rs 2 lakh), it stated. PTI had on June 3 pronounced that as many as 6,801 instances of fraud had been mentioned by using scheduled business banks and pick economic establishments concerning an quantity of Rs 71,542.93 crore in the closing financial, quoting statistics from the RBI.

After the tale changed into published, the Congress celebration held a press conference the next day and demanded that the BJP government problem a "White Paper" on rising financial institution frauds in the united states of America. During 2008-09, a total of four,372 cases had been pronounced related to an quantity of Rs 1,860.09 crore. In 2009-10, Rs 1,998.94 crore worth fraud become reported in 4,669 cases.

A total of 4,534 and 4,093 such instances have been reported in 2010-eleven and 2011-12 related to Rs 3,815.76 crore and Rs 4,501.15 crore, respectively. In the 2012-thirteen economic, 4,235 fraud instances regarding Rs 8,590.86 crore were pronounced through banks as towards 4,306 instances (concerning Rs 10,170.81 crore) in 2013-14 and 4,639 instances (regarding Rs 19,455.07 crore) in 2014-15. As many as four,693 and



five,076 cases of fraud were reported in 2015-sixteen and 2016-17 related to Rs 18,698.82 crore and Rs 23,933.Eighty five crore, respectively, it said.

Banks see whopping 73% spike in frauds at Rs 71,543 cr in FY19

Banks have reported a massive 73 percent increase in incidents of fraud worth Rs 71,543 crore in FY19, a senior Reserve Bank official said Thursday.

Till March 2019, the top five, 10 and 100 instances of frauds cumulatively said constituted 24 percentage, 34 percentage and 70 percent of all frauds, respectively, a prime general manager with the RBI Jayant Dash stated.

In FY18, the banks had reported frauds worth Rs 41,167 crore.

Total value involved in these frauds mentioned with the aid of the RBI-regulated entities all through FY19 amounted to Rs seventy one,543 crore as in opposition to Rs forty one,167 crore for the duration of the preceding yr, that's a seventy three percentage bounce 12 months-on-12 months," Dash told a CII event here.

He stated the distribution of pronounced frauds via banks comply with a high pareto principle also called 80/20 principle, because of this eighty percentage of the consequences come from 20 percentage of the reasons.

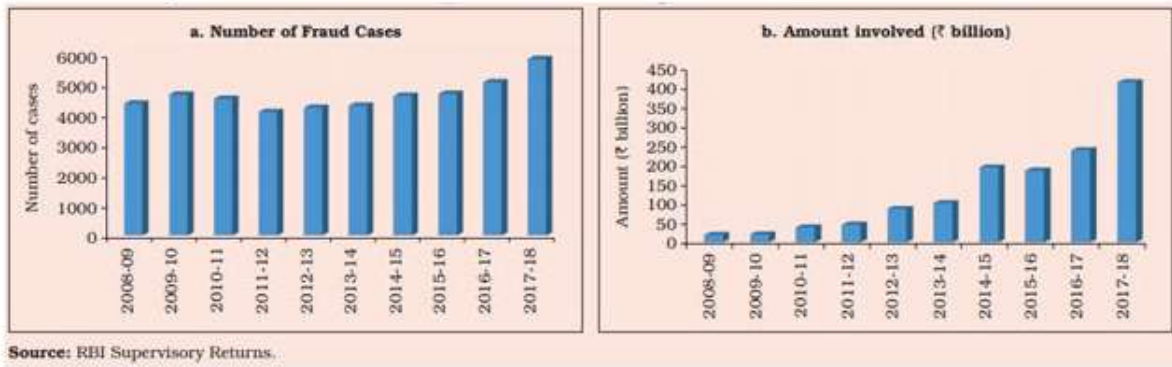
The massive cost frauds worth Rs 50 crore and above, constituted approximately 1 percent of the fraudulent instances but amounted to a few-fourths of the fraud losses.

Banks, on a mean, file fraud lack of Rs 35,000 crore each year. "This does now not consider loss to investors and different economic and operational creditors, apart from the intangible losses to the device," he stated.

The amount concerned in frauds suggested in view that FY15 stood at Rs 1,seventy four,798 crore, constituting a whopping 211 percentage of actual prevalence of frauds at some point of the same length at Rs 82,959 crore, he said.

Noting that company fraud is hardly ever a one-step operation, he stated, "the most expensive frauds are committed via control groups who have the potential to override control systems and collude to cowl their tracks."

Number and quantity involved in fraud instances (of Rs 1 lakh and above) said by using banks at some stage in 2008-18.



At the machine degree, frauds in loans, through quantity, accounted for extra than seventy five in line with cent of frauds concerning amounts of Rs 0.1 million and above, even as frauds in deposit accounts have been at just over three per cent.

Composition of outstanding banking frauds



Within the loan category of frauds, PSBs accounted for a major share (87 per cent) followed by the private sector banks (11 per cent).

The percentage of public quarter banks in frauds referring to ‘off-stability sheet items’ along with Letter of Credit (LCs), LoU, and Letter of Acceptance became even higher at 96 in line with cent. New personal area banks accounted for greater than 20 according to cent of the frauds associated with ‘coins/cheques/clearing’ and ‘foreign exchange transactions’. New private region and overseas banks accounted for 36 in step with cent every of all cyber frauds pronounced in debit, credit and ATM playing cards, among others.



Conclusion

RBI's annual report said that due to the divergences in asset category and provisioning inside the credit score portfolio of banks as well as the growing incidence of frauds, an Expert Committee underneath the chairmanship of Y.H. Malegam had been constituted to inspect the motives for high divergence determined in asset category and provisioning by way of banks vis-à-vis the Reserve Bank's supervisory assessment, and the stairs needed to prevent it; factors main to an increasing prevalence of frauds in banks and the measures (consisting of IT interventions) had to cut down and save you it; and the role and effectiveness of numerous forms of audits carried out in banks in mitigating the occurrence of such divergence and frauds. The pointers of the committee can be carried forward for implementation.

Further, to bolster the cyber security posture of Indian banks, targeted and subject matter-primarily based IT examinations are planned for the duration of 2018-19. Targeted scrutiny, as and whilst required, might additionally be performed for suitable policy and supervisory intervention, stated the annual document.

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