

Bank Frauds: Emerging Challenges in India

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Abstract- *The banking sector is again in the limelight, especially as we stand today on the brink of the fourth industrial revolution. The banking system plays an important role in promotion of economic growth not only by channelling savings into investments but also by improving the allocation of financial resources into the stressed-out sectors of the industries. An efficient banking system is now considered as a necessary pre condition for the growth of a country in a stable manner. In any case, this has not come without its due part of traps. Nearby the rapidly creating money related industry, fraud in Indian banks have seen a rising example and there is a basic need to fix up the budgetary region in India, given the stunts including countless crores of rupees being revealed in the continuous past. This paper makes an undertaking to review and dismember the examples of cheats tormenting the money related territory and its activity in the diligent climb of non-performing assets in India. The examination reasons that the amount of cheats tormenting the Indian budgetary division is on a consistent rising starting late provoking a climb in Non-advantage assets and truly influencing productivity of the monetary territory in India. Stringent movement by pros close by finding new strategies for coercion expectation and abatement is the primary course forward for securing the legitimacy of Indian banks and surrendering a corrective touch to the monetary division of the India.*

Keyword: Bank fraud, Non-profit assets, Financial resources.

I. INTRODUCTION

Banking in the developing countries has acquired new added dimensions. In the 21 Century the actual and expected contribution of banking sector in the society is quite material towards the improvement of national economy. Maybe, India might be the principal Country in the creating economies of the world which has showed bold drive in blending innovation with its improvement activities at all levels. Contemporary years, cases of money related extortion have consistently been accounted for in our India Bank fraud in our nation have frequently been ascribed treated as charge of working together, post advancement the recurrence, intricacy and cost of banking fakes have expanded complex bringing about a grave circumstance for controllers, such as the Reserve Bank of India (RBI). RBI, the apex body of banks in India, defined fraud as "A deliberate act of omission or commission by any person, carried out in the course of a banking transaction are inter into and the books of records kept up physically or of the computer framework in banks, coming about into improper addition to any individual for a brief period or something else, with or with no financial misfortune to the bank".

II. MEANING AND CONCEPT OF THE TERM FRAUD

The term 'bank', characterizing 'Fraud' is likewise more troublesome than remembering it. In Black's Dictionary 'extortion' is characterized as 1. A distortion of truth or stowing away of a material reality to instigate another to demonstration to their disservice. Misrepresentation is for the most part a tort, at times (esp. at the point when the direct is wilful), it might be a wrongdoing. 2. A misdirection made imprudently without confidence in its existence to start another person to act. 3. A tort rising up out of a knowing contortion, disguise of material reality, or wild misleading made to impel another to exhibition to their weakness. 4. Unconscionable managing, esp. in contract law, the unconscionable utilization of the force emerging out of the gatherings' relative positions and bringing about an unconscionable deal.

III. MEANING AND CONCEPT OF THE TERM BANK

The term 'Banking Fraud' or 'bank fraud' as it is used interchangeably, has received very few attempts at its definition, largely due to the reason that Banking Frauds as such have not been recognised by none of the market regulators,

legislators or experts of the field as a distinct and imminent problem. This casual attitude towards the problem of Banking Fraud has deprived the issue of Banking Fraud of the due attention of theorists as well.

IV. CLASSIFICATION OF FRAUDS

1. Fraud by insiders
2. Fraud by outsiders
3. Both

4.1 Fraud by Insider

Fraud by insiders includes loan fraud, cash shortages, fraud in borrower's account, fraud in investment portfolios, fraud in foreign exchange areas, purchased bill fraud, deposit account fraud, frauds in computerized environment, frauds in inter-branch and interbank account, etc.

1. **Purchased Bill Frauds:** These are commonly costly and can take the accompanying structures: rebate on taken or counterfeit railroads receipts and engine receipts alongside other fundamental bills, fashioned/counterfeit bills with swelled worth, drawn on sister concern are limited, counterfeit/manufactured bills for valueless products are limited. The fraudster limits sham or taken railroad receipts. Bogus bill is drawn on sister worries to limit. Bills are expand in plot with the supplier. Portion is gotten before the bill is displayed by the bank for encashment. Pointless product is dispatched and charges constrained on the nature of dispatched paper.
2. **Loan Fraud:** Many crediting offices just require a limited quantity of data in their loaning application process. This makes it basic for character crooks to use your taken information anything from your administration oversaw investment funds number to your money related information to get a speedy credit. Payday propels make it straightforward for cheats to get cash in your name missing a ton of check. Or then again progressively awful, with enough taken nuances, they could open up a veritable vehicle, home, or business credit.
3. **Fraud in Borrower's Account:** For all borrower advances, the borrower's character is checked against information from customer detailing offices and other personality and antifraud confirmation databases. Advance against clean/narrative bills acquired/limited.
4. **Fraud in Foreign Exchange Areas:** Foreign exchange fraud misrepresentation is any exchanging plan used to dupe merchants by persuading them that they can hope to increase a high benefit by exchanging the outside trade showcase.
5. **Deposit Account Fraud:** The following types of frauds are generally committed: value inflation of checks deposited, changing the nature of the checks (crossed to bearer), operating a dormant account fraudulently, non-deposition and misappropriation by agents.

4.2 Fraud by Outsider

Fraud by outsider includes bill discounting fraud, forgery and altered checks, accounting fraud, stolen check frauds, credit card frauds, booster checks, etc.

1. **Booster Checks:** A sponsor check is a deceitful or terrible check used to make an installment to a Visa account so as to raise the measure of accessible credit on in any case authentic Mastercards.
2. **Bill Discounting:** Fraud Fraudster uses an association to get conviction with a bank, by appearing as an affirmed, beneficial customer. The association routinely and more than once uses the bank for restricting the bills of its customers. Bills are paid promising, as the customers similarly are a bit of the extortion.
3. **Forgery and Altered Checks:** A watch that bears a fashioned mark of the cabinet or payee is commonly not appropriately payable from the client's record in light of the fact that the bank isn't adhering to the

guidelines of the investor decisively as he gave them. Check extortion includes messing with the principles of financial records exchanges for ill-conceived reasons and employments.

4. **Stolen Check Frauds:** Check cheats incorporate fakes identifying with client's checks, broker's checks (drafts) or explorer checks. They are the most significant fakes misfortune insightful. Taken boundless free pass books are furthermore of impetus to forgers who by then sign as if they were the financial specialist.
5. **Accounting Fraud:** In request to disguise real money related issues, a couple of associations have been known to use counterfeit bookkeeping to misrepresent arrangements and pay, swell the estimation of the association's advantages or express an advantage when the association is working at an adversity. These modified records are then used to search for enthusiasm for the association's security or security issues or to make tricky development applications in a last undertaking to procure more money to concede the inevitable breakdown of an unbeneficial or bobbled firm.

V. DATA ANALYSIS OF BANK FRAUD

Indian financial structure perceived Rs 71,500 crore worth of fakes in budgetary year 2018-19 which to put in scale is to some degree more than the Rs 71,000 crore recapitalization group masterminded by the organization to revive the prosperity of its open portion banks. Inquisitively, in excess of 90 percent of these mishaps were to the organization had banks while the bit of scenes that transmitted from these credit experts was at 55.4 percent. For the most part, 3,766 events of cheats were recognized in cash related year 19, A15 percent spike from a year back, while the adversities realized watched a 80 percent climb from the latest year, even as budgetary year 18 saw the most shameful money related distortion in India's history where Nirav Modi diverted nearly Rs 13,000 crores from Punjab National Bank in February 2018. "To the degree zone of endeavors, fakes identified with pushes contained the unavoidable piece of the complete total related with cheats in 2018-19, while the bit of fakes in dubious sheet things declined from a year back," as demonstrated by RBI's yearly report released on Thursday. "Fakes relating to card/web and stores included simply 0.3 percent of the hard and fast estimation of fakes in 2018-19." Most of these fakes were because cheating and impersonation, trailed by misappropriation and criminal breach of trust, RBI said. Little cheats under Rs.1 lakh were just 0.1 percent of the aggregates being referred to. Another reason for stress for controllers and policymakers started from the manner in which that it took banks an ordinary of around 2 years to perceive fraud.

| Bank Group/ Institution | 2017-18 | | 2018-19 | |
|----------------------------|------------------------------|-----------------------------|------------------|-----------------------------|
| | Number of Frauds (in Cr.) | Amount Involved (in Cr.) | No. of Frauds | Amount Involved (in Cr.) |
| Public Sector Bank | 2,885 | 38,260.87 | 3,766 | 64,509.90 |
| | -48.8 | -92.9 | -55.4 | -90.2 |
| Private Sector Bank | 1,975 | 2,478.52 | 2,090 | 5,515.10 |
| | -33.4 | -6 | -30.7 | -7.7 |
| Foreign Bank | 974 | 256.00 | 762 | 955.30 |
| | -16.5 | -0.6 | -11.2 | -1.3 |
| Financial Institution | 12 | 164.70 | 28 | 553.40 |
| | -0.2 | -0.4 | -0.4 | -0.8 |
| Total | 5,916 | 41,167.00 | 6,801 | 71,542.90 |

Fig 1: Data Analysis of Bank Fraud 2018-19 (Sources: RBI REPORT)

Top 5 Bank Frauds Over the last few years:

1. Punjab national bank: Rs 13,000 crore.
2. PMC bank: Rs 4,355 crore.
3. ICICI Videocon: Rs 1,730 crore.
4. Cosmos Bank: Rs 90 crore.
5. Bhushan power: Rs 2,348 crore.

VI. ANALYSIS OF A FEW CASES OF BANK FRAUD

There are a few instances of fraud and tricks come in to picture each year. We have chosen the majored prominent cases.

6.1 The Case of Vijay Mallya

Vijay Mallya was a compelling liquor specialist over the latest two decades. He by then endeavored to expand his business domain into various spaces, for instance, air journeys and sports adventure. From 2000 till 2009 he was convincing in his new interests. Despite his endeavor he was moreover a Member of Indian Parliament in the Rajya Sabha. He has perfect effect over the banks and money related affiliations. A couple of banks both open and private drew closer to help his undertakings. He started his new airplanes Kingfisher and started placing assets into different games, for instance, Cricket and Formula One. These two associations required incredibly essential organization nearby the insightful fundamental administration. In any case, frugal organization of both these parts chop the associations down. In 2012, a couple of his Kingfisher Airlines naval forces were brought down to ground due to the non-portion of the pay of the staff. Continuously the condition escalated and inside the accompanying one year the whole Kingfisher escaped movement. He started offering the segments of his liquor business to cover the base requirements. That was deficient to save his business and he started losing all of his advantages separately. By and by he is doled out as the 'production kid' of banking defaulter in the country. The banks who gave him the tremendous entire of credits directly face the setbacks. This is an undeniable occasion of maltreatment of effect in individuals as a rule. Unusually, by and by it is estimated that a segment of the top representatives of the country may have schemed with him in the approval of the advances.

6.2 The Case of Punjab National Bank (PNB) and Nirav Modi

These days it is the most included occurrence of banking distortion. Nirav Modi was a conspicuous valuable stone merchant of India and he had a respectable effect in excess of a couple of cash related affiliations. Panjab National Bank (PNB), an open segment bank was one of them. The upper administration of the PNB were in acceptable business relations with Nirav Modi. He manhandled the situation and procured immense proportion of credits from PNB. Regardless, later it was found that Nirav Modi has cheated PNB in a couple of structures. This year PNB confronted a major misfortune because of this deceitful arrangement and its top administration is under investigation as a piece of the extortion examination. PNB has lost believability among a few financial specialists and its turnover has reversal definitely. The measure of the extortion is evaluated to be around 12,000 crore Indian Rupees.⁴

6.3 Fake Account Frauds

In 2011, the Central Bureau of Investigation in India found that couple of banks of, for instance, the Industrial Development Bank of India, the Oriental Bank of Commerce and the Bank of Maharashtra supervise restored more than 10,000 fake records for darken individuals and moved money as advance in to those records (RBI 2017). They were supported by a couple of insiders and outsiders in these fakes. A couple of chiefs, bank staff and fraudsters are being arraigned at this moment.

6.4 Syndicate Bank Fraud

In 2016 it was found that four one of a kind people had opened 380 records with Syndicate Bank and different regions. They took more than 10 billion Indian Rupees using unmistakable budgetary techniques, for instance, bank checks and insurance systems (RBI 2018). The deception was revealed by some bank agents who scrutinized the activities of the fraudsters. Concurrence with the bank staff is addressed in these cases.

VII. CONCLUSION

The dependence of a developing economy is resolved when its financial framework is settled. India with its gigantic development potential, has played moderately stable all through a progression of worldwide downturns and has risen sensibly unscratched. It is unexpected in any case, that a quick framework. It is clear that the post advancement time has showered new shades of development upon the Indian financial segment yet all the while it has likewise presented genuine difficulties, one of them being ascend in extortion's and Non-benefit resources. This unfortunate

improvement of rising fake exercises influencing the financial part. Creates misfortunes for the banks required as well as encroached their believability antagonistically. The information investigation innovation can be utilized by banks to diminish cheats at the beneficiary stage itself and lessen their misfortune causing sway essentially. As of late examples of banking fraud revealed in India are on a consistent ascent. The postponement in lawful strategy for announcing and different escape clauses in the framework have been viewed as a portion of the significant reasons of fraud. Understanding between the staff, corporate borrowers and pariah associations; delicate authoritative system; nonattendance of appropriate gadgets and developments set up to perceive early notification indications of a fake; nonattendance of regard for bank laborers and customers; and nonappearance of coordination among different banks across India and abroad. Development of cutting edge upheld by a relating ascend in the quantity of frauds and non-performing resources has seriously influenced the likelihood of the financial segment in India. Most grounded activity by specialists alongside finding new methods for cheats avoidance and decrease as the main path forward to protect the believability of Indian banks and give a facelift to Banking area of nation.

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