

A STUDY ON FINANCIAL FRAUDS IN BANKING SECTOR

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Abstract: There has been a rapid growth in the banking sector in India. Banking sector plays a major role in growth of India's economy. However, with the increase in banks' functionality there is a drastic increment in the frauds. In spite of various observations and regulations being introduced to reduce the frauds, still it is observed that frauds are being committed. This paper aims at studying the number of frauds being committed bank wise, sector wise and its impact on the performance of the banks. A study was conducted on the impact of frauds on Punjab National bank. This study is based on secondary data collected from various reliable sources. Various statistical tools like T-test, Ratios and Percentage have been used for study purpose.

The study reveals that there is a varying trend in the growth of frauds during the period of study. Through the study, it can be observed that the instances of financial frauds have been increasing gradually mainly in the public sector banks. The Punjab National bank got affected the most and this impact appeared to be highest in the year 2018 when the fraud came to light. The overall quality of the bank's loan was not good and was negative as a result of revelation of fraud.

Keywords: *Non-performing assets, Money laundering, Public sector banks, Financial frauds.*

INTRODUCTION

The Reserve Bank of India (RBI), a regulator of banks in India, defines fraud as "A deliberate act of omission or commission by any person, carried out in the course of a banking transaction or in the books of accounts maintained manually or under computer system in banks, resulting into wrongful gain to any person for a temporary period or otherwise, with or without any monetary loss to the bank".

In the last eleven years, leading public sector banks (PSBs) in India have lost a total of nearly Rs. 1,41,489.6 crore, on account of various banking frauds whereas leading private sector banks have lost nearly Rs. 20,523 crores. With various measures initiated by the RBI, numbers of banking fraud cases have declined, but amount of money lost has increased in these years.

In addition, there has been a rising trend of non-performing assets (NPAs), especially for the PSBs, thereby severely impacting their profitability. Several causes have been attributed to risky NPAs, including global and domestic slowdown, but there is some evidence of a relationship between frauds and NPAs as well. The robustness of a country's banking and financial system helps to determine its production and consumption of goods and services. It is a direct indicator of the well-being and living standards of its citizens. Therefore, if the banking system is plagued with high levels of NPAs then it is a cause of worry, because it reflects financial distress of borrower clients, or inefficiencies in transmission mechanisms. Indian economy suffers to a great extent from these problems, and this served as the prime motivation for me to carry out this detailed study of frauds in the Indian banking system and examining frauds from different angles.

In a shocking analysis, it is revealed that Indian banks have been under-reporting frauds, the Reserve Bank of India has revealed that 90.6 percent of the frauds reported by banks in 2018-19 occurred between 2000 to 2018. Data released by the banking regulator in its latest edition of the Financial Stability Report, suggests that nearly 40 percent of the under-reported frauds actually took place in three years between 2013 to 2016. "The time-lag between the date of occurrence of a fraud and the date of its detection is significant," the RBI said." It was observed that in many cases frauds being reported now were perpetrated during earlier years." As a fallout of this, the RBI is now reviewing its master direction on frauds and considering additional measures for timely recognition of frauds and enforcement action against violations.

With regard to frauds reported, the relative share of state-run banks in the overall fraud amount reported in 2018-19 was in excess of their relative share in the credit. At the end of March 2019, share of PSU banks in overall fraud amounts reported was a whopping 96 percent against a banking industry average of 60.9 percent.

REVIEW OF LITERATURE

There are many articles available in the area of financial frauds and a large no. of researchers have studied the issue of frauds in banking sector. A review of the relevant literature has been described. Swain & Pani (2016) in a study on *Frauds in Indian Banking: Aspects, Reasons, Trend Analysis and Suggestive Measures* have said that the frauds in Indian banking sector have seen a rising trend in India over the last few years. Some of the main reasons of bank frauds are negligence by concerned officer, lack of seriousness, knowledge among bank employees, non-compliance to KYC guidelines as prescribed by RBI, increasing pressure on staff regarding the same may create and can lead to a bank fraud. Vigneshwaran & Yokesh (2018) in *A Study on Causes and Prevention of Fraud in Banking Industry* find that the banking sector is generally well regulated and supervised but the sector has its own set of problems and challenges when it comes to ethical practices. Khanna & Arora (2009) in *A Study to Investigate the Reasons for Bank Frauds and the Implementation of Preventive Security Controls in Indian Banking Industry* find that the level of awareness employees possess is not enough for the prevention of various frauds. There is a lack of training, overburdened staff, competition and low compliance level among employees. Singh & Nayak (2015) in their paper entitled *Frauds in Banking: Corporate Governance Issues* state that Indian banking sector has seen a massive growth since liberalisation of the Indian economy in 1991. With the increase of financial transactions across boundaries, frauds in the financial world have escalated to new highs. Banks and other financial institutions should be strictly monitored to ensure that corporate governance is properly followed and balances are in place. Bhasin (2015) in his paper *An Empirical Study of Frauds in the Banks* finds out that banks are the driving factors that contribute to the operations in the financial sector, money markets and in the growth of an economy. The frauds are rising on day to day basis and fraudsters are becoming smarter and more sophisticated. Banks need to actively aware their customers in their fraud prevention practices as customers may be wanting to switch to other competing banks if they are in doubt about those practices. Neha & Dhiraj Sharma (2018) in their study on *Rising Toll of Frauds in Banking: A Threat for the Indian Economy* find that the bank bridges the gap between availability of funds and usage of these funds in a correct manner in the society. Fraudsters commit fraud in every possible way and are prevalent in every facet of banking sector. It's a high time when banks need to prevent threat of frauds, built a strong system to protect, continuously monitor and the evaluation of the efficiency of those systems. Yego & John (2016) in their study on *The Impact of Fraud in the Banking Industry: A Case of Standard Chartered Bank* find that fraud has become one of the biggest problems worldwide these days and it is not set to abate in the near future. It is affecting the profitability of businesses and the firm solvency also gets affected because of the frauds. However, the chances of frauds can be prevented to an extent through continuous monitoring and verification. Cheng & Ling Ma (2009) in their study on *White Collar Crime and the Criminal Justice System: Government Response to Bank Fraud and Corruption in China* find that the major causes of bank frauds and corruptions are bank insiders (employees and officials) and criminal businesses in committing fraud. The preventive efforts are way more important than any penalty. The reconstruction of business ethics is needed to ensure willing compliance with law by organizations and individuals. Kundu & Rao (2014) in their study *Reasons of Banking Fraud – A Case of Indian Public Sector Banks* find that as per the survey conducted by Ernest & Young, 2012 the financial frauds in banking sector has been soared up by 84%. The customer expects transparency, accountability, fairness and effective intermediation from banks. Protecting public money and people faith is one of the greatest challenges for modern day banker. Though adoption of technology with the evolution of time can help in prevention of fraud to a great extent. Japneet Kaur (2016) in his study on *Exploring Relationships Among Ethical Climate Types and Organizational Commitment: A Case of Indian Banking Sector* finds the relationship between ethical climate and organizational commitment. Indian banking sector is facing a great challenge which includes increasing number of bank frauds and high rate of employee turnover. It has been seen that instrumental climate is an effective predictor for the three components of commitment (normative, affective and continuance). Renuka & Jyothi (2014) in their paper *Organizational Procedures and Structures for Indian Banks Centre for Analysis of Risks and Threats* find that the increased usage of information technology for various financial affairs and because of increasing popularity of alternate banking channels the financial frauds are increasing rapidly in the financial services sector. Since the possibility of threat is same in all the financial sector a collaborative information sharing will be beneficial so that the sector can prepare, protect and manage crisis as well as it can minimize the costs of security expenditures. Asthana & Dutt (2013) in their study on *The Extent of Disclosure Code of Corporate Governance in India: A Comparative Study of Public and Private Sector Banks* find that the contribution of banking sector is very critical and important in any economy. The study is to examine the extent to which private and public sector banks adopted corporate governance code in their annual reports. Banerjee, Cole, and Duflo (2003) in their study on *Bank Financing in India* find that the banking sector is growing there is a significant reduction in the poverty and diversification out of agriculture. But it can be seen that most of the banks are overstaffed and a large portion of asset is under-lending and is non-performing due to which operating cost is increasing. J.D. Agarwal & Aman

Agarwal (2003) in their study on International Money Laundering in the Banking Sector find that the estimated money laundering amount annually is one trillion worldwide. Money laundering effects the country to a great extent. It not only destabilizes a country but also puts into a high risk of terrorist attacks, threatening its sovereignty and integrity. Neha & Dhiraj Sharma (2017) in their study An Empirical Study on Banking Frauds in India- with a special reference to role of Employee Awareness in Banking frauds find that the extent to which the internal control system is executed and employees' approach towards bank frauds. Banks can secure and protect the trust of customers by utilizing multipoint investigation i.e. cryptographic check obstacles. Mittal, Singh and Dash (2013) in their study on Computerization in Banks -Some Issues find that how renovation has affected the banking sector and the factors that have brought changes. As the competition is increasing in the banking sector and increasing demand of customer is forcing banks to provide their service online. Technological fraud is one of the most up to date fraud in banking sector today. M. More, P. Jadhav and Nalawade (2015) in their paper on Online Banking and Cyber Attacks: The Current Scenario find that in the era of globalization Internet banking or online banking has revolutionized an integral activity of our modern twenty first century. With time the cyber-crimes are also increasing. To control cybercrime to an extent some preventive measures should be taken such as tracking the origin of the crime, shortage of skilled employees, growth of the underground cybercrime economy. Gupta (2010) in his study on Internet Banking in India - Consumer concerns and Bank Strategies finds that how the internet banking has attracted the attention of banks, brokerage house, securities trading firms, insurance companies. The impact of internet banking on cost savings, customer satisfaction and revenue growth are impeccable but at the same time the risk of fraud is high as the rules and regulations we have are not stringent enough to curb these frauds entirely from the system.

Pasricha & Mehrotra (2014) in their study on Electronic Crime in Indian Banking find that the increasing rate of electronic crimes and other basic crimes such as ATM frauds, credit card fraud and money laundering fraud in the Indian banking sector. The organization should make sure that the customers are satisfied with the services they are providing to them as this builds trust and confidence among them. Njanike, Dube and Mashayanye (2009) in their study on The Effectiveness of Forensic Auditing in Detecting, Investigating, and Preventing Bank Frauds find that the problems which hinder the operations in developing countries are investigated by the forensic auditors. The forensic auditors should also create a governed body that regulate and serves their interest just like any other profession.

NEED OF THE STUDY

The study of financial frauds in banking sector was important as financial frauds or scams have never been a rare phenomenon in economy of any country. Bank failures have large social consequences in any economy of a country due to its financial linkages with other parts commonly termed as "network externalities". In spite of various observations and regulations are introduced to reduce frauds still it is observed frauds are being continued. The need was felt to study no. of frauds happening bank wise, sector wise and its impact on the performance of banks.

RESEARCH AND TIME GAP IN LITERATURE

The different aspects of literature related to Financial Frauds in Banking Sector of researchers over the years have been collected and used for this study, but there is a huge time gap existing for the comprehensive research on quality aspects of Financial Frauds.

OBJECTIVES OF THE STUDY

- To study about frauds in banking sector.
- To compare number and amount of frauds in public and private sector bank wise.
- To examine impact of frauds on performance of banks.

LIMITATIONS

The important limitations are as follows:

- The study was confined to secondary data.
- Only selected bank was taken into consideration.
- The data presented for T-test is limited to 18th December 2017 to 15th February 2018.

SCOPE OF THE STUDY

The study covers the information regarding bank frauds on year wise and bank wise basis. Period of the study is covering from year 2008 to 2019, majorly when frauds in banks took place.

SOURCES OF DATA

The collected data is mainly secondary in nature. The sources of data for this project include the articles published in various magazines, journals and research papers.

METHODOLOGY OF STUDY

The methodology used in the study for the completion of project and the fulfilment of the project objectives, is as follows:

- Market prices of the banks have been taken for different dates to find the change in market price
- The research was quantitative and qualitative and the tools used to test market significance are T-test and Ratios.

POPULATION

Banking sector is taken for the study, where aggregate data related to financial frauds for Public Sector Banks and Private Sector Banks is used.

SOME MAJOR BANK FRAUDS THAT SHOOK THE COUNTRY

PNB Scam

- ❖ In 2018, the state-run lender PNB shocked the entire banking industry of India by revealing that it had been defrauded by Rs 11,400 crore allegedly by billionaire jeweller Nirav Modi, his family members and business partner Mehul Choksi, owner of the Gitanjali Gems at PNB's Brady House Branch in Mumbai. Following the scam, employees of PNB including people at the general manager level were suspended from their post for their suspected involvement in the biggest scam in the Indian banking sector. Also, the government has revoked passports of Nirav Modi and Mehul Choksi.
- ❖ After witnessing a scam of Rs 12,000 crore allegedly committed by Nirav Modi, the PNB has unearthed another 91 million fraud in March 2018. It involves officials of a little-known company called Chandri Paper and Allied Products Pvt Ltd. The fraud has been spotted at the PNB's Brady House Branch in Mumbai where the Nirav Modi scam had unfolded.
- ❖ The Punjab National Bank (PNB) in 2019 had reported another borrowing fraud of Rs 38.05 billion (\$556 million) in Bhushan Power & Steel Ltd.'s account to the Reserve Bank of India (RBI). The company has misappropriated bank funds, manipulated books of accounts to raise funds from consortium lender banks.

Rotomac Case

Rs 3,700 Rotomac fraud unearthed after the sensational PNB scam. Kanpur based Rotomac Global is being probed by the CBI and Enforcement Directorate (ED) for allegedly cheating a consortium of seven banks of Rs 3,700 crore. The investigation agency filed case against Vikram Kothari and Rahul Kothari, directors of the business group for misusing credit sanctions provided by Bank of Baroda (BoB), the member of consortium banks at its International Business Branch (IBB) at The Mall Kanpur to the tune of Rs 456.63 crore.

SBI fraud Case

- ❖ State Bank of India (SBI) is at the forefront of a bank scam involving jewellery network Kanishk Gold Pvt Ltd (KGPL). The KGPL has been accused of defrauding a consortium of 14 banks amounting Rs 824.15 crore bank fraud led by the SBI. The Enforcement Directorate (ED) and CBI registered a case against Kanishk Gold.
- ❖ On 8th May, 2017, Nilesh Parekh, promoter of the Kolkata-based Shree Ganesh Jewellery House was arrested in connection with loss of Rs 2,223 crore to association of 25 banks led by the State Bank of India. The Accused was using the import finance from one bank and export finance from another bank so as to escape the recovery of import finance.

R P Infosystem Scam

In January the CBI has booked two directors of R P Info Systems and its directors for allegedly cheating a consortium of banks including PNB, SBI, and Canara bank to the tune of Rs 515.15 crore. The banks alleged that loans were taken on the basis of fabricated documents.

Karnataka Bank fraud Case

Private sector lender Karnataka Bank on 28 March 2018 reported a fraud worth Rs 86.47 crore in the fund based working capital facilities extended to Gitanjali Gems Limited- the jewellery network which has been under the scanner in connection to the alleged involvement of the promoter Mehul Choksi in the mega banking scam.

United Bank of India Case

On March first week the Central Bureau of Investigation (CBI) has filed a disproportionate assets (DA) case against Archana Bhargava, former chairperson and managing director of United Bank of India (UBI). The CBI alleges that Archana Bhargava acquired movable and immovable assets disproportionate to her income between 2004 and 2014.

Andhra Bank

A former director of Andhra Bank and directors of Gujarat based pharma company Sterling Biotech were arrested on 13th Jan 2018 in Rs 5000 crore fraud case for withdrawing cash from the bank accounts of several benami companies. Company had taken loan of Rs 5000 crore from a consortium led by Andhra Bank. Later the loan turned into non-performing assets.

Bank of Maharashtra

On 20th July 2017, CBI arrested the Former Head of Pune Zone of Maharashtra bank in Rs 836-crore fraud for violating laws for sanctioning amounts. The head had sanctioned credit facility to a logistic company on basis of forged documents and provided loan to 2,802 drivers for purchasing trucks.

Canara Bank

On 13th June, 2017, the promoters of a mining company Abhijeet Group were arrested for being defaulters in loans payment of over Rs 11,000-15,000 crore from 20 banks and financial institutions through 132 shell companies of the group. Abhijeet group created vehicle company Jas Infrastructure to provide contract for erection, procurement and construction of a power plant at Bihar to its group company Abhijeet Projects and misusing loan amounts worth Rs 790 crore from Canara Bank and Vijaya Bank.

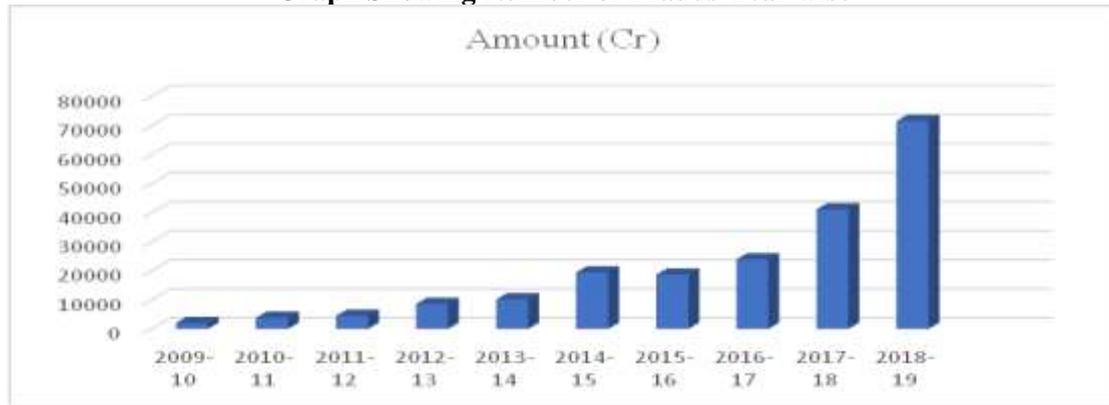
Table No.1 Showing Number of frauds year wise: -

Year	No. of Frauds	%	Amount (Cr)	%
2008-09	4372		1860.09	
2009-10	4669	6.79	1998.94	7.46
2010-11	4534	-2.89	3815.76	90.89
2011-12	4093	-9.73	4501.15	17.96
2012-13	4235	3.47	8590.86	90.86
2013-14	4306	1.68	10170.81	18.39
2014-15	4639	7.73	19455.07	91.28
2015-16	4693	1.16	18698.82	-3.89
2016-17	5076	8.16	23933.85	28.00
2017-18	5916	16.55	41167	72.00
2018-19	6801	14.96	71542	73.78

Source:

<https://www.livemint.com/industry/banking/bank-frauds-worth-rs-2-05-trillion-happened-in-last-11-years-reveals-rbi-data-1560335835680.html>

Graph Showing Number of Frauds Year wise



The above table highlights a varying trend in the growth of frauds in the period of study, that is, 2008-09 to 2018-19. However, a close look at the table will reveal that the growth of frauds has been at an increasing rate from 2011-12 onwards.

Table No.2 Showing the number of frauds and the amount bank wise: -

Serial No.	Banks	No. of frauds	Amount (Cr)
1	ICICI	6,811	5,033.81
2	SBI	6,793	23,734.74
3	HDFC	2,497	1200.79
4	Bank of Baroda	2,160	12,962.96
5	Punjab National Bank	2,047	28,700.74
6	Axis Bank	1,944	5,301.69
7	Bank of India	1,872	12,358.20
8	Syndicate Bank	1,783	5,830.85
9	Central Bank of India	1,613	9,041.98
10	IDBI	1,264	5,978.96
11	Standard Chartered Bank	1,263	1,221.41
12	Canara Bank	1,254	5,553.38
13	Union Bank of India	1,244	11,830.74
14	Kotak Mahindra Bank	1,213	430.46
15	Indian Overseas Bank	1,115	12,644.70
16	Oriental Bank of Commerce	1,040	5,598.23
17	United Bank of India	944	3,052.34
18	State Bank of Mysore	395	742.31

19	State Bank of Patiala	386	1,178.77
20	Punjab and Sind Bank	276	1,154.89
21	UCO bank	1,081	7,104.77
22	Tamilnad Mercantile Bank	261	493.92
23	Lakshmi Vilas Bank	259	862.64
24	American Express Banking Corporation	1,862	86.21
25	Citi Bank	1,764	578.09
26	Hongkong and Shanghai Banking Corporation (HSBC)	1,173	312.10
27	The Royal Bank of Scotland Plc	216	12.69

Source:

<https://www.livemint.com/industry/banking/bank-frauds-worth-rs-2-05-trillion-happened-in-last-11-years-reveals-rbi-data-1560335835680.html>

- (i) The above table highlights that ICICI Bank and SBI registered the highest number of frauds.
- (ii) The table also highlights that Punjab National Bank and SBI registered the highest amount of frauds.
- (iii) SBI performed really bad based on control over the number as well as amount of frauds.
- (iv) The scale of frauds in the case of Punjab National Bank is a matter of concern.

Table No.3 Showing the Amount of Frauds in Private Sector Banks: -

Private Sector Banks	Amount (in crores)
Industrial Credit and Investment Corporation of India (ICICI)	5,033.81
Housing Development Finance Corporation (HDFC)	1,200.79
Axis Bank	5,301.69
Industrial Development Bank of India (IDBI)	5,978.96
Standard Chartered Bank	1,221.41
Kotak Mahindra Bank	430.46
Tamilnad Mercantile Bank	493.92
Lakshmi Vilas Bank	862.64
Total	20,523.68

Source:

<https://www.livemint.com/industry/banking/bank-frauds-worth-rs-2-05-trillion-happened-in-last-11-years-reveals-rbi-data-1560335835680.html>

Table No.4 Showing the Amount of Frauds in Public Sector Banks: -

Public Sector Banks	Amount (in crores)
State Bank of India (SBI)	23,734.74
Bank of Baroda	12,962.96
Punjab National Bank (PNB)	28,700.74
Bank of India	12,358.20
Syndicate Bank	5,830.85
Central Bank of India	9,041.98
Canara Bank	5,553.38
Union Bank of India	11,830.74
Indian Overseas Bank	12,644.70
Oriental Bank of Commerce	5,598.23
United Bank of India	3,052.34
State Bank of Mysore	742.31

State Bank of Patiala	1,178.77
Punjab and Sind Bank	1,154.89
UCO Bank	7,104.77
Total	1,41,489.6

Source:

<https://www.livemint.com/industry/banking/bank-frauds-worth-rs-2-05-trillion-happened-in-last-11-years-reveals-rbi-data-1560335835680.html>

From table no. 3&4 it can be clearly observed that it is much easier to defraud public sector banks than private sector ones in India and the figures speak volumes about the way the latter are run.

Table No.5 PNB MARKET PRICES OF SHARES USED FOR T-TEST

Date	Closing Price	Date	Closing Price
18-Dec-17	178.75	16-Jan-18	165.55
19-Dec-17	178.75	17-Jan-18	175.55
20-Dec-17	170.5	18-Jan-18	170.5
21-Dec-17	173.5	19-Jan-18	176.4
22-Dec-17	175.95	22-Jan-18	176
26-Dec-17	174.3	24-Jan-18	194.65
27-Dec-17	174.1	25-Jan-18	180.9
28-Dec-17	170.8	29-Jan-18	173.95
29-Dec-17	171.4	30-Jan-18	172.65
01-Jan-18	169.75	31-Jan-18	171.35
02-Jan-18	166.4	01-Feb-18	167.55
03-Jan-18	166.6	02-Feb-18	161.85
04-Jan-18	176.45	05-Feb-18	163.7
05-Jan-18	176	06-Feb-18	161.05
08-Jan-18	175.7	07-Feb-18	156.55
09-Jan-18	174.65	08-Feb-18	159.35
10-Jan-18	170.65	09-Feb-18	156.8
11-Jan-18	172.75	12-Feb-18	161.65
12-Jan-18	174.2	14-Feb-18	145.85
15-Jan-18	172.15	15-Feb-18	128.25

Source: www.nseindia.com

T-Test: Paired Two Sample for Means

	Variable 1	Variable 2
Mean	173.1675	166.005
Variance	11.83217763	190.3307632
Observations	20	20
Pearson Correlation	0.079352128	
Hypothesized Mean Difference	0	
Df	19	
t Stat	2.296005989	
P(T<=t) one-tail	0.016611658	
t Critical one-tail	1.729132812	
P(T<=t) two-tail	0.033223316	
t Critical two-tail	2.093024054	

- H₀ – There is no significant impact of fraud on the market values of bank.
- From the above table it is observed that p value is 0.0166 which is less than 0.05 at 5% level of significance means null hypothesis is rejected and alternative hypothesis is accepted.
- Hence, it is concluded that there is a significant impact of frauds on banks performance.

Table No. 6 Ratios showing the impact of frauds on bank: -

Punjab National Bank	2015	2016	2017	2018	2019
Net NPA (%)	4.00	9.00	8.00	11.00	7.00
Capital Adequacy Ratio (%)	13.00	11.00	12.00	9.00	10.00
EV Per Net Sales (X)	11.87	12.71	14.16	14.6	14.17
Price to Book Value (X)	0.7	0.47	0.84	0.7	1.07
Price to Sales (X)	0.58	0.35	0.68	0.55	0.86
Retention Ratios (%)	79.48	100	100	100	100
Earning Yield (X)	0.11	-0.24	0.04	-0.47	-0.23
Net NPA to Advances (%)	4.00	9.00	8.00	-2.00	7.00
Total Provisions and Contingencies	8,893.17	16,190.74	13,240.36	22,577.02	22,970.74
P1-P0/P0*100		82.06	-18.22	70.52	1.74

Source: <https://www.moneycontrol.com/financials/punjabnationalbank/ratiosVI/PNB05#PNB05>

From the table no.6 it can be observed that instances of Non-performing assets have been increasing and appeared to be highest in the year 2018 when the fraud came in light and Capital adequacy ratio is also decreasing as the bank understudy failed to protect the interest of depositors. Bank's earnings per share was lowest in the year of fraud as it can be seen in the table. The overall quality of the bank's loan was not good and was negative. The overall provisions and contingencies were higher in the year 2018 and 2019 due to revelation of fraud. Hence, it is concluded that there is major impact of fraud on the performance of banks.

FINDINGS

(i)The study highlights a varying trend in the growth of frauds in the period of study, that is, 2008-09 to 2018-19. However, a close look at the table will reveal that the growth of frauds has been at an increasing rate from 2011-12 onwards.

(ii) The study reveals that:

(a) ICICI Bank and SBI registered the highest number of frauds.

(b)Punjab National Bank and SBI registered the highest amount of frauds.

(c)SBI performed really bad based on control over the number as well as amount of frauds.

(d)The scale of frauds in case of Punjab National Bank is a matter of concern.

(iii) The study has clearly demonstrated that it is much easier to defraud public sector banks than private sector ones in India.

(iv) The statistical tool T-test used for the purpose of study has revealed that there is significant impact of fraud on banks. (T-test has been applied only on Punjab National Bank)

(v) Through the study it can be observed that instances of Non-performing assets have been increasing and appeared to be highest in the year 2018 when the fraud came in light and Capital adequacy ratio is also decreasing as the bank under study failed to protect the interest of depositors. Bank's earnings per share was lowest in the year of fraud as it can be seen in the table. The overall quality of the bank's loan was not good and was negative. The overall provisions and contingencies were higher in the year 2018 and 2019 due to revelation of fraud. Hence, it is concluded that there is major impact of fraud on the performance of banks.

RECOMMENDATIONS

- Accounting firms are to be identified and should be held in charge of monitoring loans on a continuous basis.
- These accounting firms should provide information periodically about loans recovery status to banks.
- These accounting firms should be asked to conduct forensic audit on a real-time basis.

CONCLUSION

Managing and minimizing fraud is an intrinsic part of any bank's operations, as banks face frauds across a wide range of its products and services it renders. The cost of frauds can be massive in terms of disturbance in the functioning of the markets, financial institutions, and the payments system. The function of prevention of fraud, its monitoring, investigation, reporting should be particularly done by an independent division in a bank.

From the study it was understood that bank frauds impact banks to a large extent and effects its market value.

On the analysis of t-test null hypothesis is rejected and thus there is a significant impact of fraud on PNB.

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