

Important Vocab for the Editorial

1. **vulnerability** (noun) – weakness, defencelessness, unprotectedness, susceptibility.
2. **credit-related** (adjective) – related to loan/moneylending.
3. **oversight** (noun) – supervision, surveillance, superintendence, inspection.
4. **fugitive** (adjective) – relating to a person who has escaped from being confined or imprisoned.
5. **diamantaire** (noun) – French word; diamond manufacturer/producer/trader; diamond-dealing person.
6. **extradition** (noun) – the action of surrendering/handing over a fugitive (a person who has escaped from being confined/accused of a crime) from one jurisdiction to another by mutual agreements between the two countries. deportation, handover, expulsion.
7. **state-owned** (adjective) – government-owned.
8. **admit** (verb) – acknowledge, confess, profess, reveal, make known, make public.
9. **defraud** (verb) – swindle, deceive, cheat.
10. **to the tune of** (phrase) – amounting to.
11. **serve** (verb) – act as.
12. **address** (verb) – tackle, deal with, attend to, try to sort out.
13. **contend (with)** (verb) – cope with, face, grapple with, deal with.
14. **sour/bad loans** (noun) – non-performing assets (NPAs), stressed assets/loans; an account where the principal and/or interest remains overdue for a period of time.
15. **growing** (adjective) – increasing.
16. **cumulative** (adjective) – total, collective, aggregate.
17. **surge** (verb) – rise or increase suddenly.
18. **ongoing** (adjective) – current, existing, continuing, relentless.
19. **pandemic** (noun) – the worldwide spread of a new disease; The illness spreads around the world and typically affects a large number of people across a wide area.
20. **likely** (adjective) – possible, probable, to be expected.
21. **(take) cognisance of** (phrase) – notice, attend to, take into account, give attention to.
22. **preceding** (adjective) – previous, prior, earlier.
23. **deeply** (adverb) – seriously, intensely, strongly, awfully, terribly.

24. **perspective** (noun) – standpoint, viewpoint, approach.
25. **portfolio** (noun) – a range of products or services.
26. **constitute** (verb) – amount to, add up to, account for, comprise, represent.
27. **framework** (noun) – structure, system.
28. **facilitate** (verb) – make easy, make possible; assist, help/aid.
29. **lag** (noun) – interval, pause, delay, slowness, postponement.
30. **sizeable** (adjective) – substantial, considerable, significant.
31. **public sector bank (PSB)** (noun) – a major type of bank in India, where a majority stake (i.e. more than 50%) is held by the government.
32. **bear the brunt** (phrase) – to suffer or endure the worst part of something (force/burden/pressure) when a very bad or unpleasant thing happens.
33. **hit** (noun) – blow, setback, disturbance, impact.
34. **fraudulent** (adjective) – dishonest, unlawful, unethical, unprincipled.
35. **account for** (phrasal verb) – constitute, comprise, form, represent.
36. **outpace** (verb) – surpass, outshine, do better than.
37. **peer** (noun) – equal, fellow.
38. **in terms of** (phrase) – with regard to, regarding/concerning, in connection with.
39. **skew** (verb) – distort, misrepresent, change/alter, falsify.
40. **fivefold** (adjective) – five times (the number of).
41. **surge** (noun) – sudden increase or rise/jump of something.
42. **on the back of** (phrase) – as a result of, after, subsequent to.
43. **germane** (adjective) – relevant, pertinent, applicable.
44. **mission mode** (noun) – it means that the projects/targets have clearly defined objectives, scopes, implementation timelines and milestones, measurable outcomes and service levels.
45. **expedite** (verb) – speed up, accelerate, quicken, hasten.
46. **consolidation** (noun) – the process of combining a number of things into a single more effective one; unification.
47. **ultimately** (adverb) – eventually, in the end, finally; fundamentally, basically, essentially.
48. **open up** (phrasal verb) – make something available/accessible.
49. **as a whole** (phrase) – all together, as a group, in general.
50. **lament** (verb) – complain about, regret, rue.
51. **audit** (noun) – inspection, examination, assessment, investigation.
52. **forensic** (adjective) – relating to the application of scientific knowledge & methods to legal problems and legal proceeding.

53. **lead to** (verb) – result in, cause, bring about, call forth, give rise to, produce.
54. **impending** (adjective) – imminent, close at hand, about to happen, approaching, nearing/coming.
55. **far from** (phrase) – not, not at all.
56. **fallen** (adjective) – immoral, tainted, dishonoured, disgraced, ruined, shamed.
57. **malady** (noun) – a serious problem.
58. **regulator** (noun) – an association that supervises a particular business activity.
59. **walk the talk** (phrase) – to do the things you have said you would do.
60. **laxity** (noun) – negligence, neglect, lack of proper care and attention, carelessness, heedlessness, lack of concern, irresponsibility.
61. **financial stability** (noun) – financial stability is a condition where the financial system is able to withstand internal or external economic shocks and also able to smoothly conduct its core tasks.

Vulnerability reminder: On credit-related corporate frauds

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The RBI needs to ensure tighter oversight over large-value credit-related corporate frauds

The U.K. Home Secretary Priti Patel's reported decision to allow fugitive diamantaire Nirav Modi's extradition to India, three years after state-owned Punjab National Bank admitted it had been defrauded to the tune of over ₹14,000 crore, serves as a reminder of the urgent need to address the banking system's vulnerability to fraud. India's lenders have had to contend not only with a sizeable share of sour loans but also a growing number and cumulative value of frauds. The RBI noted in its latest Annual Report, in August last year, that the total number of cases of fraud (minimum size of ₹1 lakh) at banks and financial institutions rose 28% by volume and surged 159%, or more than 2.5 times, by value to ₹1.85-lakh

crore in the 12 months ended March 31, 2020. While the ongoing [COVID-19 pandemic](#) may have likely slowed the cognisance of frauds since then, the trend from the preceding years is deeply troubling from multiple perspectives. With frauds mainly occurring in the loan portfolio, the RBI observed that there was “a concentration of large value frauds, with the top 50 credit-related frauds constituting 76% of the total amount”. Also, despite the central bank having created a framework to facilitate the prevention, if not early detection and prompt reporting of such frauds, the average lag in detecting these transactions was 24 months during 2019-20. And most disturbing was the RBI’s finding that in cases of sizeable fraud, where the sum involved exceeded ₹100 crore, the average lag was 63 months, or more than five years.

While the public sector banks (PSBs) have had to bear the brunt of the hit from fraudulent borrowing — they accounted for an almost 80% share in 2019-20 — the private sector lenders outpaced their peers both in terms of number of cases and the increase in value of frauds. Even granting that fraud at a single private lender skewed the increase in cumulative value of transactions that year, a fivefold surge in value to ₹34, 211 crore was on the back of a 34% jump in the number of fraud cases at these banks while the PSBs suffered only a 24% increase. These facts are especially germane when one considers that the government has been on mission mode in trying to expedite consolidation among the PSBs and is ultimately looking at opening up the sector as a whole to greater private sector participation. With the RBI lamenting the ‘weak implementation of early warning signals’, non-detection of signals during internal audits and non-cooperation of borrowers during forensic audits as being among the key factors leading to delayed detection of fraud, the impending concentration of risk in fewer lenders is far from reassuring. The fallen jeweller’s case is only the symptom of a deeper malady. The RBI as industry regulator needs to walk the talk and ensure tighter oversight. Any laxity threatens overall financial stability.