

BANKING SWINDLING AND HINDRANCE IN INDIA

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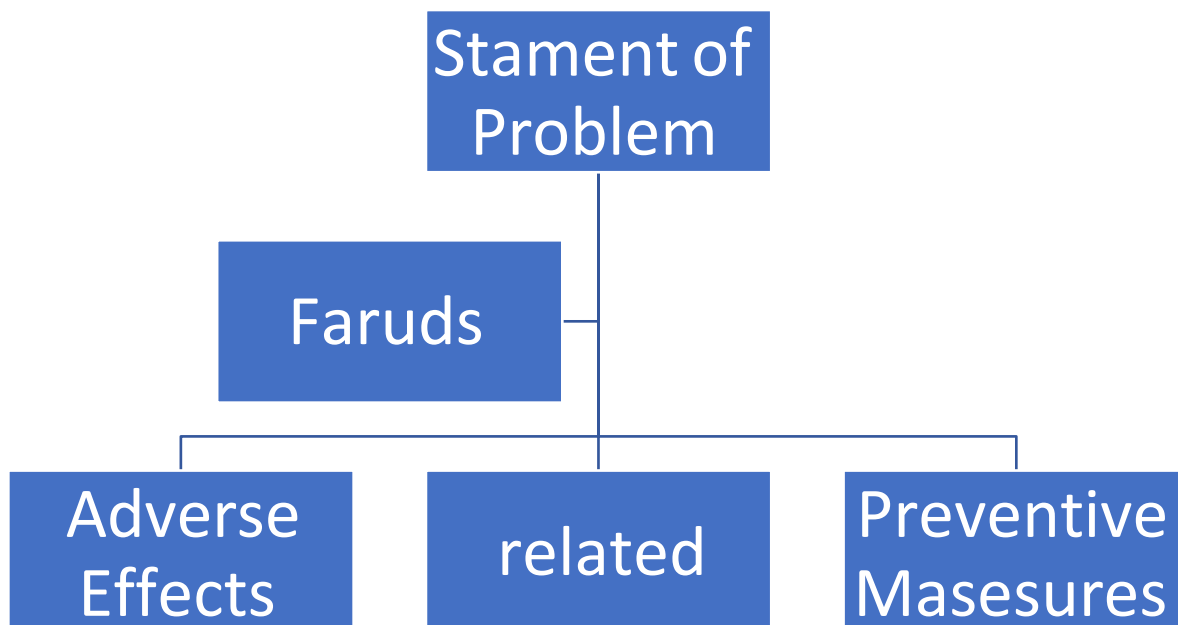
ABSTRACT

The banking sector in India has been prevailing since independence and due to which it plays a vital role relevant to the history also takes in notice most of the economic activities of our nations, due to which development in the nations are somehow realised with economic factors. This paper examines the basis of issues relating to fraud in the banking sector. Also how to curve out the problem of frauds and its after-effects in the nation on large banking frauds are the one of the store problems faced by developing countries like India. Here we are lacking behind the mechanism to deal or curve out the problem of banking frauds even after taking most of the measures which are provided by the government or other means available. This makes us think more of the fact that the working conditions of the banks were better than when. We were lacking new technologies or now? Though Research on all of it in my personal opinion I think the working of banks though become paperless and this leads it to be Vern able in its very nature. Paperless has made it easier for the technical fraud rat or look for the loopholes. Otherwise when we used to have heavy paperwork the problem the banks were dealing with was the means to get all the records intact and available any time with fewer efforts. While this is yet possible but it has dragged down the real safety measure power or trust of the public which people need to have for setting aside their money in the banks so that it could be safe but due to technicalities of the time it has been next to impossible for the banks to now keep track of the fraudulent technical who are eating people only due it. Taking money out of the account of any person with the person's consent or knowledge would constitute customer fraud in layman language. These days as the time is evolving and we are becoming more attracted to the new fashion of easy one-click payments at home these fancy credentials have somehow led banks to develop such facilities to survive in this duration of the hugely competitive market and they while doing the same forget about the after effects' of it.

INTRODUCTION

Banking frauds are the kind of frauds is a criminal act that happened when some on uses illegal means of receiving money or assists from the banks or the other financial institution's bank frauds is this does not only affect merely the customers of such and so banks but is at the large effect the economic cycle of any nation as banks are the particular responsible for the regulations of the money in any country if it is effective then the whole economy would be on its feet and leads to poverty striking conditions for its citizens which is in-depth depriving them of necessities and ultimate's leads them depended on other countries also to make a quick note to it not only the customers of the bank are befooled but now days even bankers are being fooled. The bank while adopting many new techno methods of payment and money transfer systems as leads it even more difficult to channelized and take control of the type of fraud a person is doing because at the end as the means are many the type of frauds or curving out money from innocents account is incredibly a lot more than a person can think of.

Statement of Problem



Meaning Of Frauds

The dishonesty act or the behaviour which a person gains or tries to gain advantage over another which results in the loss victims directly or indirectly is called fraud. Under India penal code fraud had not been defined directly under particular section but it proved for the punishment for various acts which leads to commission of frauds / somehow the diction under the act are dealing with many related topics as of the frauds such as cheating, forgery , misappropriation and counterfeiting or breach of trust . These are some of the related laws with the frauds covered by Indian penal code in general.

Fraud, under Section 17 of the Indian Contract Act, 1872, includes any of the following acts committed by a party to a contract, or with his connivance, or by his agents, with intent to deceive another party thereto or his agent, or to induce him to enter into the contract: The suggestion as a fact, of that which is not true, by one who does not believe it to be true; The active concealment of a fact by one having knowledge or belief of the fact; · A promise made without any intention of performing it; · Any other act fitted to deceive; · Any such act or omission as the law specially declares to be fraudulent

1. The Indian penal code,1860
2. Criminal procedure code,1973
3. The Negotiable Instruments Act,1881
4. The Reserve Bank of India Act,1934
5. SARFAESI Act,2002
6. The Banking Regulation Act,1949

Even under section 17 of Indian contract act ,1872 includes any of the following acts committed by party to contact or with his connivance or by his agents with intent to deceive another party such as are

- Suggestion as fact
- Active concealment of fact by one does not deliver it is to be
- A promise made without any intention of performing
- Act fitted to deceive

These are some of the important definitions given under the law to describe the ways frauds take place.

RBI definition of frauds

Means a statutory body but haven't defined the term frauds however, suggested in the context of electronic banking in the Report of RBI Working Group on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds, which reads 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". According to the Association of Certified Fraud Examiners (ACFE), fraud is "a deception or misrepresentation that an individual or entity makes knowing that misrepresentation could result in some unauthorized benefit to the individual or to the entity or some other party".

Some statistics related to banking frauds

Years	No. of cases	Amount of fraud
2019-20	84554 cases	1.84 cr.
2020-21	Expected 87.523	2.5 cr.

Elements of frauds

- Theft – as the act involves taking anything out of the positions of the person with our persons consent.
- Dishonestly – any act done with the intent to gain unlawful or to make other loos unlawful of the titles which of which he is not owners is called as dishonestly.
- Concealment – it involves selling stolen assets or products to the people and getting money in exchange for it.

TYPES OF FRAUDS**CLASSIFICATION OF FRAUD**

To maintain uniformity in fraud reporting, frauds have been classified on the basis of types and provisions of the Indian Penal Code, and the reporting guidelines for the same has been prescribed by RBI The Reserve Bank of India classifies Bank frauds in the following categories:

1. Misappropriation and criminal breach of trust.
2. Negligence and cash shortages.
3. Cheating and forgery.
4. Any other types of fraud not coming under the specific heads as above.
5. Irregularities in foreign exchange transactions.

MECHANICS OF BANK FRAUDS**DEPOSIT ACCOUNT FRAUDS**

The following types of frauds are generally committed;

1. Value inflation of cheques deposited
2. Changing the nature of the cheques(crossed to bearer)
3. Operating a dormant account fraudulently

Prevention Measures

1. Carefully and systematic examination procedures of cheques and other transactions.
2. Separation of book keeping and cash handling operations.

PURCHASED BILL FRAUDS

These are generally expensive and can take the following forms: –

1. Discount on stolen or fake Railways Receipts and motor recipes along with other necessary bills.

2. Fake/forged bills for valueless goods are discounted.

Prevention Measures

1. Strict examination before discounting the bills.
2. Establishing a better connection between the purchaser and the seller in the case of dispatch of proceeds.
3. Examining the receipts properly and strictly by confirming from the connected authorities.

HYPOTHICATION FRAUDS

Cash advances, against pledged goods as securities, are fertile fields for frauds.

1. Inflation of stock statements.
2. Some of the stocked goods in the large quantity may have been less value.
3. Hypothecating some goods in the favour of different banks.

Prevention Measure

1. Only marketable goods to be accepted as security
2. Strict examination of the banks representatives and borrowers credential
3. Proper evaluation of stocks
4. Verification of statements of stocks.

LOAN FRAUDS

The following types of fraud are generally committed: –

1. Two different person taking loans on the same item or product
2. Borrowing is denied when the particular person is alleged of non payment
3. Loan taken from one purpose but used for a different purpose i.e. loan taken for agriculture but used for personal purposes.

Prevention Measures

1. Proper verification of documents and the purpose for taking the loan
2. In case of a substantial amount of loan taken, it should be checked by the competent authority

COMPUTER RELATED FRAUDS

To provide efficient and fast service, most of the branches of the bank except the ones in the rural and remote areas have been computerized. Not many frauds related to computers have yet been reported so far as computerization in the Indian banks is of recent origin. There is a need to analyze the nature of such crimes so that appropriate preventive measures may be devised.

CHEQUE FRAUDS

This constitutes the biggest volume of bank frauds. This crime is done in the following forms:

1. Cheques are stolen, filled and signed spuriously and encashed.
2. The signed cheques are stolen and are encashed with alterations, if needed
3. Cheques issued by organisations for employees are duplicated.

Prevention Measures

1. The instruments must contain a proper date
2. Checking cheque kiting
3. The amount should be checked that it should be written in both numerical and words.

DISHONOUR OF CHEQUES

Dishonour of cheque or cheque bounces are very serious problems and it is becoming even bigger. To cope with this issue which was affecting the smooth business transactions, the Government of India has introduced the Negotiable Instruments Act, 1881 which provides for provisions to deal with cases of cheque bounce under section 138 to 142.

PREVENTION FROM BANKING FRAUDS

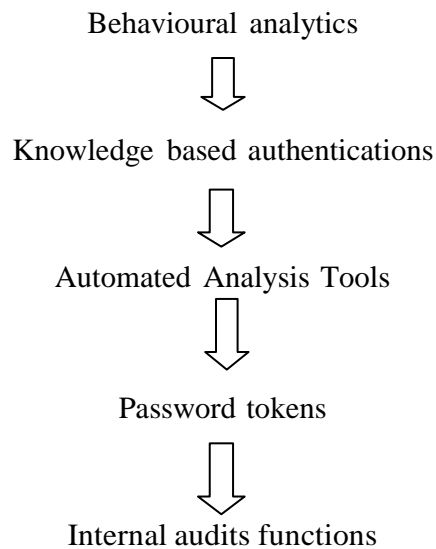
We tried to make sure that all of you can understand the crucks of it easily so that none of us who are reading or researching on it have to face such frauds in our life span. After making a note on it all it made me more compelled to look forward to the measures which are now considered mandatory by the government or RBI to be followed and also looking for its loopholes.

1. The main question which we came up with after researching the matters of the frauds is are the multi faceted threats of frauds and related to the banks are up to the change ? While having the same question in my mind I came across the survey on the global banking fraud survey 2019 through which I came across the many variety things which I am sharing below.
2. The survey shows that the fraudsters are shifting focus from account takeovers to scams where some customers are exploited as they are the only weak links and this shows the need of the bank to create more awareness and education to protect the harmony of their customers.
3. As per the survey the potential harm of the insider frauds is greater then external one as this internal frauds exploited weakness in control to target the most valuable assets. So for the same the banks should be taking a proactive approach to detecting the inside frauds.
4. The method used by the both the internal and external frauds are tends to evolve and have not remain the same from the past this create a need for the bank to effective digital frauds controls, leveraging advances data analytics , and human expertise to predictable committees ability to make appropriate resources allocation and investment decisions with frauds investment seen financial crime .
5. Technology is not enough with the overhead of the world responding to such false positive hampering efficiencies in frauds detections . banks have to plan ahead and technology to preserve outcomes in the operation model across people .
6. Fraudsters nowadays become sophisticated and quickly change and adapt their approach . banks have to be agile to take over to new approaches in preventing frauds . Now after the frauds have taken place we need to see the total percentage of the recovery of the funds which is as per the survey is less than 25 percent of frauds losses . This low rate demonstrates the importance of prevention efforts .

7. Money laundry and sanctions screening – it is the more of the leading source of compliances fines as in banks they use of smart transactions .this also result in the banks to look forward to the false and positive alerts , and banks spend fewer resources on catching , this is the also the resin banks are moving toward the artificial intelligent AI promises to transforms segmentation into powerful anti money laundry AML process that delivers improved model to review for the banks. Also the solutions of such problems can be extensive, global perspective and links bad actors together this will result in reduction. Another way to stop this frauds are block chain method by the use of Microsoft , and indentation this are the one which are prerequisite to address the money laundry problems
8. Internal frauds – employees doing fraud being insiders of the banks are known as internal frauds and this makes banks vulnerable to its very extent . due to this frauds examiners recently pointed out a case of nirav modi . To curving out this problem banks can simply use the multi factor authentication system to regulate employee spending. Employee access to some things need to be restricted as they can usually access project management platform visual studio team services .
9. Credit card frauds- this is the type of frauds which are emerging in today's time , as banks dependant on linear allegations for suspicious transactions in its very nature . Due to which these days bans have exceeded the more advanced algorithms which in result increase computing capacity of the cloud technologies.
10. Mobile frauds- these are the kind of frauds which are hyping in developing countries like ours. This has given a very magnificent attitude, fraudsters are innovating schemes or banking services as per the reports collected by the RDC. As it is a system which allows scanning checks images appear for deposit through an encrypted net connectivity. Due to which banks now day are using multi factor authentication facilities with second level identification authentication which inly led the access with the help of the username and passwords and due to the multi system even if the frequents get access to the username or the password there will not be able to access the corporate data without having hold of the users cell phone.
11. Identity and social fraud – as frequencies are getting easier due to the increase in their technicality and also due to adopting new schemes this led the banking customers to need solutions for such problems for the protection of their identity and ensuring safe and

sound access to the banking customers only . this inspire led that banks to look forward to the look for the sophisticated system which could assist with identities in many ways, ranging from the digital and physical signatures to biometric data recognitions

This way banks would be able to provide the usability and security to its very end



Behavioural analytics – this helps the monitor navigation techniques and some other aspects of users online behaviour and with technology in its very nature , it becomes convenient to go with any such activities, which indicates the funds and suspicion which is technically detected to the banks.

Knowledge based authentications – which means a series of questions with answers to each and every type and saved by the users. In some cases any of the answers typed wrong alerts the system and access to the payment out of the platforms.

Automated Analysis Tools – These are the kind of the frauds which are technically fraud tools in its very nature which identify fraud attempts on the time .Solutions which tend to transactions screening , third party screening and compliance solutions.

Password tokens- These are frauds which are meant to take place in the OTPs (one time only passwords) , which gives users a one time password on their registered cell phone not in digital formations which expire as soon as the allowed time limit of using it is crossed .

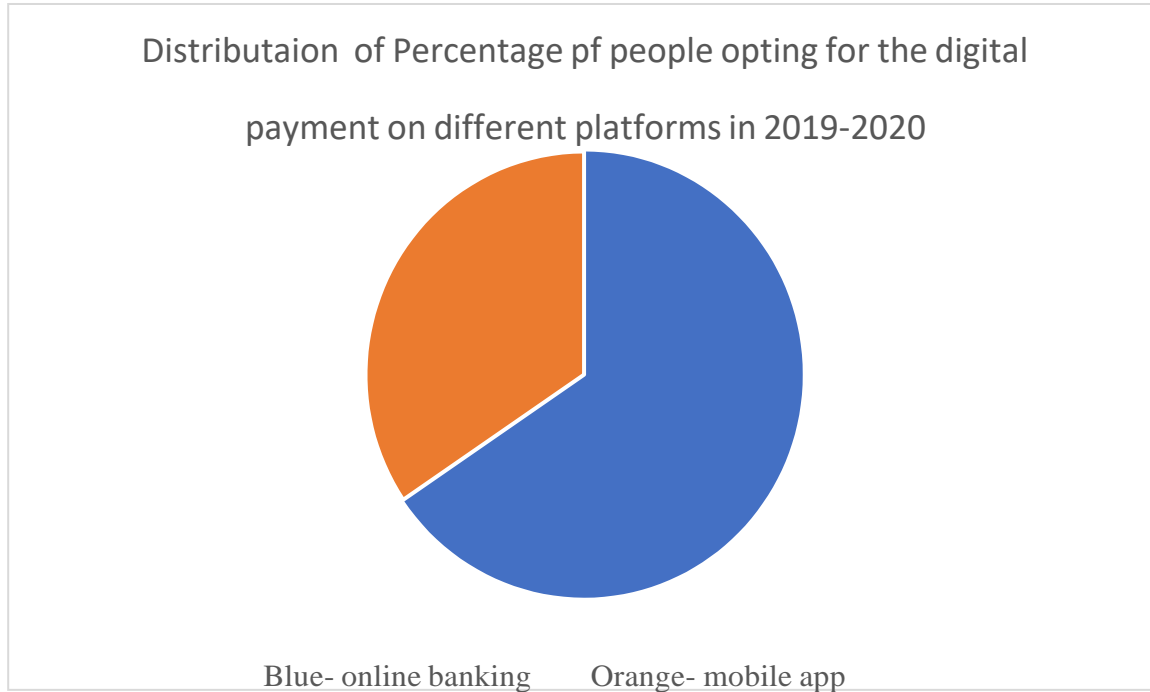
Internal audits functions- this is the requirement to keep regulated checks in the very means. Regular internal audits help in remaining steps ahead of fraudsters and conclusively to combat maximum frauds.

Survey of Literature

As the nature of the frauds is changing by the time I have been completing this paper there might be another technology striking and taking the control over the banking accounts of the others. The cyber frauds are emerging large in no, according to the Sukanya kundru and Nagarajan paper I can easily understand there are less source available which can simple depict the working if the banks in relation to the frauds as their as no official sites which can declare the official number and any forming to give justice to the customers in the relations to frauds. From the paper of Dr sukhamaya swain I can easily preserve that there emphases while writing this paper were more on the statistical approach because in his paper all I can witness are the tabulation representation of data whose sources are very vintage also in his paper he have wrote about the different banks a and how this banks ride taking over the frauds and there study involve as more types of frauds then the prevails frauds. In the paper of GSravanthi title of the paper (management of risk issues in E-banking case study) he have made the more impasse on the networking as his objective of the study was to overlook the E banking system from past 5 years and also to secure banking from the same frauds which have been taken places also he have mentioned the elaborations in types of frauds and there essential in banking sector.

DATA ANALYSIS

Distribution of percentage of people opting for the digital payment on different platforms

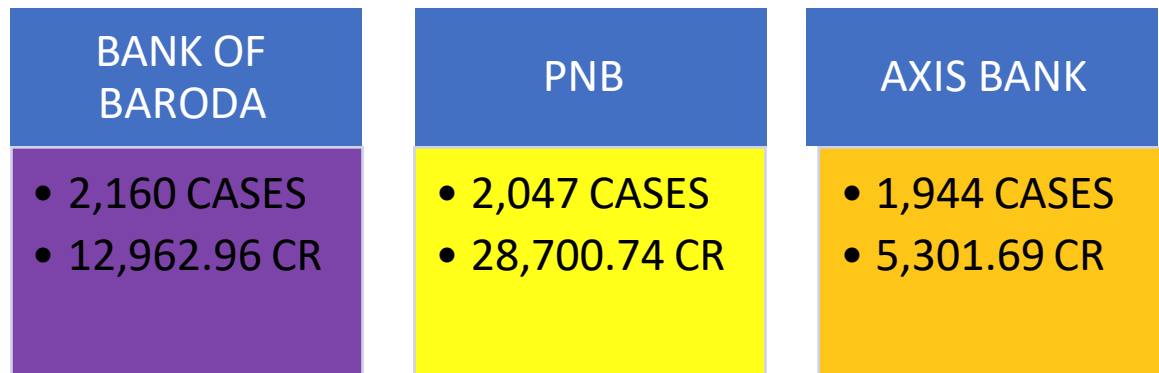


Reference to the same is economic times

The primary sources of data had been gathered by the newspapers , articles , surveys , reports , RBI etc. as therefore there are no official declaration authentic sources where these data can be obtained . Data for this study has been gathered from the primary sources of the refereed handles.

Banks and their statistical reports by RBI

ICIC BANK	STATE BANK OF INDIA	HDFC
<ul style="list-style-type: none"> • 6,811 CASES • RS 5,033.81CR 	<ul style="list-style-type: none"> • 6,793 CASES • 23,734.74 CR 	<ul style="list-style-type: none"> • 2497 CASES • 1,200.79 CR



Sources

<https://economictimes.indiatimes.com/industry/banking/finance/banking/about-84545-bank-fraud-cases-reported-during-2019-2020-says-rbi-in-reply-to-rti/articleshow/77200022.cms?from=mdr>

THIS IS A STUDY OF THE SURVEY CONDUCTED BY THE (FIS)

NEGATIVE FINDINGS

A study shown to the worldwide by the FIS which is a financial services techno provider showed that 18percent of Indians suffer from online banking dreads in past years. Which is the highest percentage than any other country's respondents. Mr. Ravi Prasad the minister for information technology said that there were over 25,800 cases of digital frauds in India. The major age of the people affected by this frauds are of the age between 27to 37 as these are the most regular users of online banking channels. The repost states nearly RS 1.8n crore billion rupees were lost in the digital banking frauds. The RBI in July frauds .2017 has tried to limit customers' liabilities when faced with fraudulent online transfers to report 3 days transactions to report frauds .

POSITIVE FINDINGS

The report identified that increases adoption of digital banking channels by Indians respondent above the age of 53 years. It also shows the usage of the electronic devices specially in reference to the smartphones and the laptops though which banking transactions were being. Indian police are also trained to tackle this cyber crimes as the government I 2003 instituted cyber crime cell training programs in many states such as Uttar Pradesh, Maharashtra etc. This are the people with the IT experts to improve their cyber crimes investigation skills.

SOURCE https://www.businessinsider.in/India-has-the-highest-rate-of-online-banking-frauds-in-the-world-report/articleshow/64369651.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

CASE STUDY**NIRAV MODI & PUNJAB NATIONAL BANK CASE**

As Nirav Modi was some importer and he wants to import his pearls and diamonds to sell them abroad as for the same he reached to PNB as his purchaser required good amount of money and in the same PNB was ready to given him load on interest of 10 percent and with the same Nirav Modi wanted to have loan in the foreign currency as all his buyer were foreign and earning in the same currency he asked to have foreign gen currency load for the same and PNB rely getting a guarantee LOC and for the same PNB issued LOC and PNB with-out taking any security worth RS100 cr as collateral security gave loc to him .

And all the foreign banks were ready to give loan to the NIRAV on the basis of that LOC which PNB gave which means that PNB will be paid in case of default in the transaction to take place with the help of NASTOV ACCOUNT OF PNB . After a while PNB filed FIR against Nirav modi in 2018 which was of amount RS280 cr and in future they filed another FIR for RS 11,000 cr which means Nirav even after having FIR against him was still busy taking loan from the other foreign banks . and he is not willing to pay back till the time.



In the present scenario, there is an urgent requirement of an integrated solution in Banks (especially in PSBs). The solution should be capable of integrating, collating and analysing data from various silo systems within a Bank like CBS, SWIFT, Trade Finance Module, Document Management System, Loan Origination System, etc.

An integrated solution like Asymetrix's Early Warning Signals (EWS) system can be used in any Bank (for analysing information from various systems within a bank like SWIFT, CBS, Trade Finance Module, etc.) for effectively detecting suspicious transactions within a pool of large number of transactions carried out in a Bank and alerting the concerned authority about the same.

Sr. No.	Early Warning Indicators
1	Any LC/LOU issued has not been registered as an contingent liability in the books of Bank
2	LC/LOU issued or opened without getting adequate margins or security
3	LC/LOU issued to any related party (Beneficiary is a related party)
4	When the usance period (loan period) of LC/LOU is given above the industry average usance period for LC/LOU (Ideal period is 90 days)
5	High number of LC/LOU issued within a period of time
6	Rollover of LC/LOU without receiving additional security
7	Issuing of new LC/LOU without settling the previous LC/LOU to the same borrower
8	High outside remittances from NOSTRO apportioned for one borrower
9	High outside remittances from NOSTRO to a party not having credit line with the Bank
10	Any LC/LOU issued without the corresponding entry in CBS and a SWIFT message transmitted without the corresponding entry in CBS.

METHODOLOGY**APPENDIX OF QUESTIONNAIRE**

1. Result of the questionnaire
2. Questionnaire Result

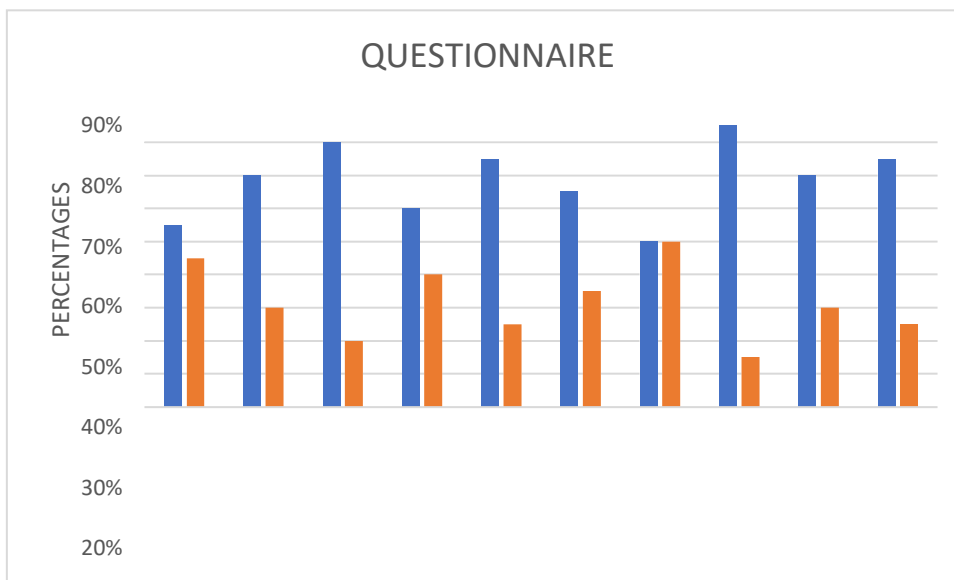
Q 1. Have u every heard the term banking frauds ?	YES/NO
Q2 As per to you do you feel your self safe from banking frauds ?	YES/NO
Q3 Do you believe that banks will prevent happing from this frauds ?	YES/NO
Q4 Do you have faith in banks and police ?	YES/NO
Q5 If you become the victim of banking frauds will it effect you ?	YES/NO
Q6. Do you believe that higher authorities should put some constraints on the banking authorise before having given online services ?	YES/NO
Q7. As per your personal point of view what you think bank or any other authorise are involve in banking frauds ?	YES/NO
Q8 Do you believe that as per the cases emerging you should do online transactions ?	YES/NO
Q9. Do you believe that legal actions are prominent take over the hijacker fraudsters ?	YES/NO
Q10 . As per the current situation should you put your money in bank for safety ?	YES/NO

Questions	Results
Question 1	11 Yes, 9 No
Question 2	14 Yes, 6 No
Question 3	16 Yes, 4 No
Question 4	12 Yes, 8 No
Question 5	15 Yes, 5 No
Question 6	13 Yes, 7 No
Question 7	10 Yes, 10 No
Question 8	17 Yes, 3 No
Question 9	14 Yes, 6 No
Question 10	15 Yes, 5 No

Percentage of questionnaire

Questions	Yes	No
Question 1	55 %	45%
Question 2	70%	30%
Question 3	80%	20%
Question 4	60%	40%
Question 5	75%	25%
Question 6	65%	35%
Question 7	50%	50%
Question 8	85%	15%
Question 9	70%	30%
Question 10	75%	25%

Graph of the questionnaire



Conclusion

With this paper I have tries to in lighted every one as we all customer to banks it doesn't matter the bank should be commercial or any other the problem all of them are facing are equal and

somehow same due to this there is need to take certain provisions of prevention within one self as being a customer is not at all easy this days.

Even though the legal system and RBI are trying their best to curve this problem and to get secure from this banking frauds it not even a solution to not to do online banking or not to have a bank account as the we all are developing it is very important for all of us to move and without banks it would be next to impossible. Hence with this paper I want to create the essence of consciousness and awareness to take certain steps and not to fill the traps of the fraudsters.

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