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(OPC) BANKING FRAUD IN INDIA LEGAL FRAMEWORK AND JUDICIAL APPROACH

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ABSTRACT

Banking frauds, a pervasive issue in India, have evolved significantly in recent years due to technology advancement and socio-economic changes. These economic offences, a global phenomenon affecting individuals, institutions, and economies worldwide, have not spared even advanced economies like the United Kingdom and the United States of America. The challenge of containing these offences remains a perplexing issue for governments globally. India has witnessed a surge in banking frauds, with a wide range of techniques employed, from traditional methods like cheque frauds and loan defaults to modern cybercrimes such as phishing, hacking, and online scams. The increasing sophistication of these frauds has made it difficult for banks and regulatory authorities to keep pace. Banks play a critical role in the economy by facilitating financial activity and providing credit to individuals and businesses to generate profits. In doing so, they must assess and manage risk effectively to ensure borrowers' debt-paying capacity and minimise defaults. As financial intermediaries, banks also offer advances to businesses for commercial purposes, supporting economic growth and development. With the expansion of banking operations, there has been a rise in fraudulent activities that pose significant challenges to banks' safety and customers' trust. The study attempts to find the bank side pitfall behind these frauds and examine the relationship between the operating financial variables. This chapter provides a brief introduction of banking fraud types, magnitude, and glimpse of various agencies responsible for combating these frauds. This study explores into the evolving nature of banking frauds, examining the various types, techniques, comprehensive overview of the existing legal framework, relevant laws, regulations, and enforcement mechanism. The prevalence of non-performing assets, loan defaults, and online frauds has highlighted the need for strengthening the mechanisms and regulations governing the banking sector. The researcher has highlighted reasons of bank frauds, loopholes in the mechanism system, legal regulatory frame work and protective

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measurement by the Reserve Bank of India. Why it has been not stopped after a many fraud? What is the role and responsibility of fraud investigation offices in India, why banks are lethargic towards fraud crime? What is the current situation of such defaulter and money launder? What is the current situation of banks? Studies reveal that the rate of growth of economic offences is soaring up at an alarming pace. There is no sign that rate of commission these offences would come down. India is no exception to these trends. Trends show that the rate of the commission of the economic offences especially bank frauds is soaring up. Recent arrests in matters of bank frauds vouch that banks have become easy prey for fraudsters and have been defrauded with impunity.

KEY WORDS: Banking Frauds, Theories Of Frauds Etc

INTRODUCTION

The banking system, which is one of the oldest business systems in the world, has evolved significantly over time. Today, they play a pivotal role in society by facilitating monetary transactions. Banks are regarded as reliable and trustworthy institutions for managing financial matters. In India, the introduction of a liberalisation policy and nationalisation of banking services has led to a more efficient and competitive banking system, marking a significant milestone in the country's economic and financial reforms. Currently, financial transactions are carried out through electronic devices such as computers, mobile phones, and the Internet. It is difficult for consumers who are not perfect and have experience using such electronic devices. They did not receive any training to use such applications or proper/authentic support from the bank. Thus, there is a need for Information Technology (IT) to handle such lengthy and complex transactions in banks. Information Technology (IT) and Artificial Intelligence (AI) tools have made banking procedures easy, convenient, fast, and professional, which is one of the most outstanding achievements in banking history. Earlier, banks were meant only to lend and deposit money. Banks have started contributing to various other facilities, such as e-business and e-commerce payments, online payment, electricity bills, and online shopping through electronic banking, mobile banking or internet banking. It is known as E-Banking. The global nature of technology presents a challenge to the states of the world to address cybercrime, fraud scams, etc., and it has no boundaries to commit such cheating, fraud, or hacking from anywhere in the world. There is no specific legislation to curb or control crime. It is indeed an hour to awaken and take action against fraud. Therefore, the present research is

a critical analysis given in the universe of Gujarat State, banking fraud, and its control, detection, and prevention mechanism in India³.

1.1 BANK FRAUDS CONCEPTUAL FRAMEWORK

A bank is a financial institution that creates credit by accepting deposits from the public and lending those funds to individuals and businesses for various purposes. The lending activities conducted by banks are strictly regulated by financial authorities to ensure stability in the financial sector. Banks act as mediators in handling individuals' money, offering services such as accepting deposits, providing loans, and enabling various payment methods. Banking refers to the acceptance of deposits for advancing or investing funds from the public, repayable upon request or through instruments such as cheques, drafts, and orders. Fraud is a deceptive act or behaviour in which an individual seeks to gain an advantage over another, resulting in harm to the victim, directly or indirectly. According to Section 17 of the Indian Contract Act, 1872, fraud encompasses acts by a party to an agreement, with their collusion or through their agents, aimed at deceiving another party or their agent into entering into a contract. This includes presenting false statements as facts, actively concealing the truth, making promises without intent to fulfil them, or engaging in other acts designed to mislead (Indian Contract Act, 1872). Fraudulent behaviour can manifest in various forms within the context of contracts and financial transactions. This may involve making false statements about material facts, actively concealing relevant information, or engaging in deceitful actions that influence another party's decision-making process. Fraud is a significant risk that banks must address to maintain trust and stability within the financial system. Bank fraud refers to the use of illegal means to obtain assets, money, or other possessions owned by a financial institution, or to deceive depositors by posing as a bank or financial organisation. Bank fraud is a widespread phenomenon that affects financial institutions across the globe, with varying types and ranges of fraudulent activities occurring within the banking sector. These activities can be perpetrated by management, employees, customers, or external parties. Bank fraud can have serious repercussions for financial institutions, affecting their performance, liabilities, assets, and public confidence, ultimately leading to potential bank failure⁴. Fraudulent activities also reduce the amount of funds in banks and negatively impact the overall economic development.

³ Agnihotri, S., & Kumar, P. (2021). Banking Fraud and its Preventive and Detective Mechanism in Indian Perspective. *The Management Accountant Journal*, 56(11)

⁴ Amit. (2025). Examining the role of technology in preventing and detecting banking frauds and crimes in India. *Journal of Informatics Education and Research*, 5(1), 2307-2310.

Additionally, fraud can erode a bank's net worth, diminish its business, damage its credibility, and create significant challenges. Fraud is considered a primary element of operational risk, and the honesty and competence of bank staff play a crucial role in preventing fraudulent activities. The prevalence of bank fraud has increased over time, making it a major concern for financial institutions. Fraudsters have become increasingly sophisticated, posing a significant risk to banks' security and profitability if not properly addressed. Banks face numerous risks, including fraud risk, which can be challenging to manage effectively. The failure to address these risks can lead to severe consequences for banks and their customers. Unfortunately, fraud has become a significant concern in India as law enforcement agencies struggle to apprehend and prosecute culprits effectively. This has tarnished the reputation of the banking industry and poses a threat to financial stability. The banking sector's vulnerability to fraud often stems from weak internal control systems. Strengthening internal controls and oversight can help mitigate fraudulent activities and enhance the sector's resilience. Robust security measures are essential to safeguard depositor funds and protect banks from various forms of fraud.

1.2 EVOLUTION OF BANKING FRAUDS

Banking frauds in India have undergone significant evolution over the years, reflecting the changing landscape of the country's financial sector. As the banking system has expanded and advanced, the nature and complexity of fraudulent activities have also increased. These frauds can range from traditional methods such as forgery and embezzlement to sophisticated cybercrimes and insider fraud. In the early days of banking in India, frauds were relatively simple and often involved straightforward acts such as theft, forgery, and misrepresentation. As the banking sector began to grow, so did the opportunities for fraudulent activities. Banks began offering more services, including loans and deposits, which provided additional avenues for potential fraud. The liberalisation of the Indian economy in the 1990s marked a significant shift in the banking sector. With economic reforms and the relaxation of regulatory constraints, the banking industry experienced rapid growth and innovation. However, this period also saw an increase in banking frauds. The Harshad Mehta scam of 1992 is one of the most infamous fraud cases during this era, involving stock market manipulation and the misuse of banking systems. This incident exposed vulnerabilities in the regulatory framework and led to major reforms aimed at strengthening the banking sector. As technology advanced, so did the methods used by fraudsters. The rise of online banking and electronic fund transfers in the early twenties brought convenience to customers but also opened the door to new types of cyber frauds.

Phishing and identity theft became prevalent, as criminals exploited the digital space to deceive customers and gain access to their accounts. Banks responded by implementing stricter security measures, such as multi-factor authentication and real-time transaction monitoring. Insider frauds also became a growing concern during this period⁵. These frauds involved collusion between bank employees and external parties to siphon off funds or manipulate transactions. Cases such as the Satyam scandal in 2009 highlighted the risks posed by insider frauds and the need for stronger internal controls within banks. The evolution of banking frauds in India has also been influenced by changes in the regulatory environment. RBI has implemented various measures to combat fraud, including stricter Know Your Customer (KYC) norms, Anti-Money Laundering (AML) regulations, and guidelines for internal controls. These measures aim to improve transparency and accountability within the banking sector. Recent years have seen a surge in high-profile banking frauds that have had a significant impact on the industry. One notable example is the Punjab National Bank (PNB) fraud of 2018, where a bank employee colluded with a jeweller to conduct unauthorised transactions worth billions of dollars. This incident exposed major weaknesses in PNB's internal controls and led to increased scrutiny of the banking sector's risk management practices. Other recent cases of banking fraud in India include the ICICI Bank-Videocon loan controversy and the Yes Bank crisis, both of which involved alleged irregularities in lending practices and governance issues. These incidents have highlighted the need for banks to strengthen their risk management frameworks and enhance oversight of lending activities.

1.3 HISTORY OF BANKS IN INDIA

Fraud in the banking system is like mismanagement and speculative activity on the part of the organisations and management, numerous banks that had mushroomed up failed. A series of banks established the People's Bank of India, Bank of India Limited, and Central Bank of India between 1906 and 1913. During this time, the Indian Bank Ltd. and Bank of Baroda Ltd. were started. In 1921, the presidency bank merged with the Imperial Bank of India. There was no control over the national currency. After Independence, all Indian Bank institutions (Imperial Bank) were established under the State Bank of India (SBI) Act of 1955. The first public bank was the state bank of India, which expanded its operational areas in the banking sector, and a need for one central bank arose. The Reserve Bank of India (RBI) Act of 1934 took effect on April 01, 1935. After that, the reserve bank was established as the supreme bank of India. As

⁵ Chakrabarty, D. K. C. (2013). *Frauds in the Banking Sector: Causes, Concerns and Cures*. 1 19.

we know, it was the biggest evolution from the imperial bank to the reserve bank, and the Reserve Bank of India (RBI) assumed control over all government businesses. It plays a crucial role in economic growth worldwide. In 1969, the Nariman Committee (NC) recommended a scheme for the integration of commercial banks, cooperative institutions, and government and semi-government bodies in the country, under which the Reserve Bank of India introduced the scheme on December 12, 1969. 'NABARD' known as the National Bank of Agriculture and Rural Development, was established in 1982. A banking company transacts its banking business in India. The Reserve Bank of India Act carried out the banking business. A bank is a company that carries out banking activities, and a nationalised bank can carry out any of the following⁶:

- a) The bank can regulate money in the following ways: borrow, raise or take up money, lend, or advance money; it may be with or without security; it also deals withdraw, make, accept, discount, buy, sell, collect, and trade in exchange of notes, currencies, denominated in rupees, hundreds, thousands, tens, hundreds of thousands, or millions of rupees; to collect and transfer money and securities; to grant and issue letters of credit; to invest in money and securities, including funds, shares, and debentures; to hold debentures and debentures stocks; to hold obligations and securities, etc.
- b) These bank activities act as agents for any government, local authority, or other person or entity; it will engage as an agent for the settlement and transfer of goods to provide receipt and discharge services.
- c) Procurement and underwriting of public and private loans
- d) To effect, ensure, guarantee, underwrite, and take part in the management and execution of any public or private loan or of any share, stock, bond, and debenture of any institution to give money for the rise of any issues.
- e) Executing all types of assurance and indemnity services. f) The management, sale, and realisation of any assets may become the property of the satisfaction or partial satisfaction of its claims.

1.4 TYPES OF BANKING FRAUDS

Banking frauds in India have evolved significantly over the years, and with the rapid advancement in technology, fraudsters have devised increasingly sophisticated methods to

⁶ Chhabra Roy, N., & Prabhakaran, S. (2023). Internal-led cyber frauds in Indian banks: An effective machine learning based defense system to fraud detection, prioritization and prevention. *Aslib Journal of Information Management*, 75(2), 246-296.

exploit vulnerabilities in the banking sector. The types of banking frauds can be broadly categorised into identity theft, fraudulent documentation, frauds by employees, Automated Teller Machine (ATM) frauds, internet frauds, card skimming, and vishing.⁷

1.4.1 Identity Theft

Identity theft is a prevalent type of fraud in which fraudsters gain financial advantage by using someone else's identity without permission. It can involve impersonating the victim to access their bank accounts, open new accounts, or make unauthorised transactions. Identity theft is a grave concern due to the severe impact it has on victims, as it often takes months or even years to rectify the damage. One significant case of identity theft occurred in 2017 when a Mumbai-based man was defrauded of 1 crore. Fraudsters gained access to the victim's bank account through a phishing attack and transferred the money to multiple accounts in other banks. The scammers used fraudulent phone calls and emails to obtain the victim's personal information, which they then used to conduct unauthorised transactions. To combat such frauds, banks have implemented stronger authentication measures, including biometric verification and two-factor authentication. Another notable case of identity theft occurred in 2016 when a Bengaluru-based businessman was defrauded of 50 lakh from his bank account. The fraudster gained access to the victim's account by obtaining his personal identification number (PIN) and One-Time Password (OTP) through a phishing attack. The scammer then transferred the funds to multiple accounts across different banks, making it challenging to trace the money. Banks have since implemented stronger authentication measures, such as biometric verification, to curb such frauds.⁸

1.4.2 Fraudulent Documentation

Fraudulent documentation involves altering, forging, or providing false information in documents to deceive banks or other parties. This type of fraud is often seen in loan applications, where borrowers submit fake documents to obtain loans. A notable case of fraudulent documentation occurred in 2018, involving the Indian jewellery company Winsome Diamonds. The company took loans from various banks based on forged documents and later defaulted on repayments, resulting in a loss of 6,800 crores to the banks. This incident led to a

⁷ Gupta, P. K., & Gupta, S. (2015). Banking frauds in India Perceptions and emerging issues. *Journal of Financial Crime*, 22(1), 79-103.

⁸ IDFY. (n.d.). Inside the Rise of Bank Fraud in India - IDfy. 2023. Retrieved April 27, 2025, from <https://www.idfy.com/blog/inside-the-rise-of-bankfraud-in-india/>

thorough investigation by the Central Bureau of Investigation (CBI) and a crackdown on loan frauds by banks, which implemented stricter due diligence processes to verify documents and assess the credibility of borrowers. In 2018, Rotomac Global Pvt. Ltd. was involved in a major loan default scam, where the company availed loans from several banks using forged documents. The total amount involved was around 2,919 crores. The fraud was discovered when the company defaulted on loan repayments, leading to a police investigation and legal action against the company's promoters. Banks have since strengthened their due diligence processes to verify documents and assess the credibility of borrowers.

1.4.3 Frauds by Employees

Frauds committed by bank employees pose a significant risk to the integrity of the banking sector. Employees may manipulate transactions, authorize loans using fraudulent means, or collude with external parties to siphon off funds. In 2018, a major fraud case involving PNB and the prominent jeweller Nirav Modi came to light. Employees issued fraudulent Letters of Undertaking (LoUs) without proper verification, enabling Modi's companies to secure loans worth 11,300 crores from overseas banks. The case exposed significant lapses in PNB's internal controls and risk management practices. This incident prompted banks to enhance their internal control systems and oversight of employee activities.

1.4.4 Automated Teller Machine (ATM) Frauds

ATM frauds encompass a range of activities, such as skimming, cloning, and tampering with machines. Skimming involves installing devices on ATMs to capture card data and PINs. In 2019, a large-scale ATM skimming operation was uncovered in Delhi, where fraudsters targeted several ATMs by installing skimming devices and cameras. They used the stolen data to create counterfeit cards and withdraw large sums of money from ATMs across the city. The police investigation led to the arrest of several individuals involved in the operation. To combat ATM frauds, banks have upgraded their security measures, including regular inspections of machines, installing tamper-proof devices, and using chip-based cards. In 2018, a group of fraudsters was arrested in Kolkata for their involvement in a large-scale ATM skimming operation. The group installed skimming devices and hidden cameras on ATMs to steal card information and PINs. The data was then used to create counterfeit cards, which were used to withdraw money from various ATMs across the city. To combat ATM frauds, banks have upgraded their security measures, including regular inspections of machines and the use of chip-based cards.

1.4.5 Internet Frauds

Internet frauds have become increasingly common as more people use online banking services. Phishing, malware attacks, and account takeovers are common methods used by fraudsters to deceive customers and access their bank accounts. In 2020, an internet banking fraud involving the popular payment app Paytm came to light. Fraudsters used phishing messages and calls to trick customers into providing their login credentials and OTPs. They then accessed the customers' accounts and made unauthorised transactions. The incident prompted Paytm and other banks to launch awareness campaigns and enhance security measures to prevent such frauds. Another notable incident of internet fraud occurred in 2021 when fraudsters targeted the Unified Payments Interface (UPI) system. They used fake UPI apps and links to trick customers into entering their bank account details and PINs. Once they obtained the information, they conducted unauthorised transactions using the customers' accounts. The incident prompted banks and payment service providers to educate customers about safe practices and improve security measures for online transactions⁹.

1.4.6 Card Skimming

Card skimming is a technique where fraudsters use devices to capture data from a card's magnetic strip during transactions at ATMs or point-of-sale (POS) terminals. The stolen data is then used to create counterfeit cards. In 2019, a major card skimming operation was uncovered in Mumbai, where fraudsters targeted ATMs by installing skimming devices and cameras. They used the stolen data to create fake cards and withdrew large sums of money from ATMs. The police investigation led to the arrest of several individuals involved in the operation. Banks have since introduced chip-based cards and regular checks on ATMs to prevent skimming. In 2018, a major card skimming operation was uncovered in Pune, where fraudsters installed skimming devices on ATMs and POS terminals. They used the stolen data to create fake cards and withdraw large amounts of money from various ATMs. To prevent card skimming, banks have introduced chip-based cards, which are more secure and difficult to clone, as well as regular inspections of ATMs and POS terminals.

⁹ IDFY. (n.d.). Inside the Rise of Bank Fraud in India - IDfy. 2023. Retrieved April 27, 2025, from <https://www.idfy.com/blog/inside-the-rise-of-bankfraud-in-india/>

1.5 FRAUD DETECTION SOFTWARE

Banks utilise sophisticated fraud detection software that leverages AI and ML algorithms to analyse transaction data in real-time and identify suspicious activities. These systems can process large volumes of data, including transaction history, behavioural patterns, and location data, to detect anomalies and potential fraud. These systems can detect patterns of fraud across different channels, such as online banking, ATMs, and POS terminals. For instance, a major Indian bank successfully used fraud detection software to identify and prevent a case of large-scale ATM fraud in 2022. The software flagged suspicious transactions and patterns, prompting an investigation that led to the arrest of several individuals involved in the scheme. A study highlighted the effectiveness of ML algorithms in detecting credit card fraud. Banks can also use similar software to monitor different channels, such as online banking, mobile banking, and ATMs, providing a comprehensive overview of customer transactions.

1.6 INTERNET BANKING (E-BANKING/MOBILE BANKING)

The overabundance of different products and services characterises the current banking landscape. This complexity is a result of reliance on automation and technology, which has transformed the banking industry from manual-intensive to highly automated and technology-driven. Various business models have been developed for both banks and customers. They provide services more effectively and at a lower cost. Owing to this technology, the entire system was set for e-banking. Nowadays, we have computers and savvy customers, so the bank needs to develop a proper channel to provide quality services to customers. If banks cannot do such things, they will not endure them. It is also very important to note that there will be a transition towards a cashless society, where the use of physical cash, bank notes, and coins will become the usual way of doing business. Many noncash payment methods have been used. For instance, telephone banking and bill payments are only a few examples. Moreover, e-commerce can open several possibilities for banks to become involved in the settlement process and earn high fees. E-banking and mobile banking mean that anyone can benefit from the services at their doorstep. Internet banking runs through networks and websites to perform bank functions. All services are available on the application and website. There was no physical identity between the branches and offices. It is a broader entity that allows you to use the bank anytime, anywhere, and anyhow¹⁰.

¹⁰ Kaur, M. (2018). A study on current frauds trends in the Indian banking industry and its detection using data mining algorithms. *International Journal of Computer Engineering in Research Trends*, 5(6), 177-186.

1.7 FRAUD MONITORING AND REPORTING

Fraud monitoring and reporting are critical components of the RBI's guidelines on frauds. Banks must have systems in place to monitor and report frauds promptly to the RBI. The central bank has set up a Central Fraud Monitoring Cell (CFMC) to oversee fraud-related issues in the banking sector and provide guidance to banks. Banks are required to submit regular reports on fraud cases, investigations, and corrective actions to the CFMC. These reports help the central bank track fraud trends and identify emerging threats. The CFMC also plays a key role in coordinating fraud management efforts across the banking sector. Additionally, banks must establish a fraud risk management framework that includes policies and procedures for fraud prevention, detection, and response. This framework should be regularly reviewed and updated to ensure its effectiveness in addressing changing fraud risks. The RBI's guidelines on frauds provide a comprehensive framework for the banking sector to manage fraud risk effectively. Through strict reporting requirements, emphasis on prevention and early detection, and collaboration with law enforcement agencies, banks are better equipped to combat frauds and protect customers' interests. The central bank's focus on cybersecurity and digital fraud has become increasingly important as online banking and digital payments have grown in popularity. By leveraging advanced technologies such as AI and ML, banks can enhance their ability to detect and prevent frauds. Overall, the RBI's guidelines have had a significant impact on the banking sector, leading to greater transparency, accountability, and risk management practices. As fraudsters continue to evolve their methods, the central bank must remain vigilant and adapt its guidelines to address emerging threats and challenges¹¹.

1.8 THEORIES OF FRAUD

1.8.1 Fraud Triangle Theory

The Fraud Triangle Theory, introduced by criminologist Donald R. Cressey, is one of the most influential models in understanding occupational fraud. It proposes that three key elements; pressure, opportunity, and rationalisation must coexist for an individual to commit fraud. Cressey developed this model while studying incarcerated individuals convicted of trust violations, concluding that perceived nonshareable financial problems were a common motivating factor.

¹¹ Mamonov, M. (2022). Measuring fraud in banking and its impact on the economy: A quasi-natural experiment. SSRN Working Paper.

- i. Pressure refers to the motive or incentive to commit fraud, often stemming from financial hardships, addiction, or unrealistic work expectations.
- ii. Opportunity is the ability to commit fraud without being caught, usually due to weak internal controls or poor oversight mechanisms.

1.8.2 Fraud Diamond Theory

The Fraud Diamond Theory, introduced by David T. Wolfe and Dana R. Hermanson in 2004, builds upon the original Fraud Triangle by adding a fourth critical element: capability. According to Wolfe and Hermanson, while pressure, opportunity, and rationalisation are necessary for fraud to occur, an individual must also possess the capability to exploit the situation successfully. In this expanded model,

- i. Pressure remains the driving incentive behind committing fraud
- ii. Opportunity represents the chance to exploit system weaknesses
- iii. Rationalisation involves the internal justification of unethical behaviour Page | 33
- iv. Capability encompasses traits such as position, intelligence, confidence, and ego, which enable the fraudster to commit and conceal the act.

1.8.3 GONE Theory

The GONE Theory is a fraud framework that identifies four essential factors often present in fraudulent behaviour: Greed, Opportunity, Need, and Exposure. This model emphasises the interplay between personal motivation and environmental conditions that facilitate fraud. It is commonly used in criminology and fraud investigation to analyse why individuals engage in dishonest acts, especially in corporate and occupational settings.

- i. Greed refers to excessive desire for wealth or power, driving individuals to seek personal gain beyond their legitimate earnings.
- ii. Opportunity involves the ability to commit fraud without immediate detection, often arising from internal control weaknesses or managerial trust.
- iii. Need is the perceived or actual financial pressure an individual faces, such as debt, addiction, or lifestyle expectations.
- iv. Exposure relates to the risk of being caught and the consequences of detection; the lower the perceived exposure, the higher the likelihood of fraudulent behaviour¹².

¹² Patil, K., & Abhyankar, M. (2019). A study of frauds in banking industry. *International Journal of Applied Research*, 5(3), 220224.

1.8.4 Social Learning Theory

Social Learning Theory, proposed by Albert Bandura, suggests that human behaviour, including unethical or fraudulent conduct, is acquired by observing others behaviours they see modelled by others, especially when such actions are reinforced or rewarded through social interactions. This theory suggests that fraud is not solely the result of internal motivations but also shaped by external influences, particularly the behaviour of peers and organisational culture. In the context of fraud, individuals may engage in misconduct after observing others commit similar acts without facing consequences. If unethical behaviour is rewarded, through financial gain, promotions, or peer approval, it is more likely to be repeated and normalised. This imitation becomes especially powerful in environments where ethical standards are weak or management implicitly tolerates dishonest practices. Research applying this theory to fraud shows that organisational culture plays a crucial role in shaping employee conduct. For example, if superiors manipulate more likely to follow suit. In such environments, fraud becomes a learned behaviour passed down through informal norms rather than formal instruction. The Social Learning Theory also highlights the role of reinforcement. If fraud is met with silence or leniency, it reinforces the behaviour. Conversely, strict enforcement and ethical leadership reduce the likelihood of imitation. The theory emphasises that fraud is often a product of social context rather than individual deviance alone. This understanding encourages organisations to focus on creating ethical cultures and strong role models to prevent fraud from becoming embedded in workplace behaviour.

CONCLUSION

The research analysed various legal provisions related bank frauds and its preventing and detecting mechanism in current scenario. It includes offences, procedures, technological, evidence, rules and regulations, master direction related provision in different laws like Indian Penal Code, 1860/ Bharatiya Nyaya Sahita, 2023; Contract Act, 1872; Companies Act, 2013; Prevention of Money Laundering Act, 2002; Information Technology Act, 2000; The Code of Criminal Procedure, 1973/Bharatiya Nagarik Surksha Sanhita, 2023; The Indian Evidence Act, 1872/ Bharatiya Sakshya Adhinyam, 2023; The Reserve Bank of India Act, 1934; Banking Regulation Act, 1949; The Insolvency and Bankruptcy Code, 2016; The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; Integrated Banking Ombudsman Scheme, 2021. Moreover, researcher studies various institutional mechanism of preventing, detecting and controlling bank frauds, various master direction by

reserve bank of India on bank frauds, role of vigilance commission, national financial reporting authority, serious fraud investigation office, modus operandi, enforcement directorate, crime branch of India, role of forensic science and artificial intelligence to curbing bank frauds.

By implementing the following measures, the risk of bank fraud in India can be significantly reduced:

- i. Strengthening cybersecurity measures to protect bank systems and customer data.
- ii. Educating customers about fraud risks and best practices for online banking.
- iii. Deploying advanced fraud detection systems that utilize data analytics and artificial intelligence.
- iv. Establishing dedicated teams for monitoring and investigating potential fraud cases.
- v. Implementing strong internal controls, regular audits, and strict authorization protocols.
- vi. Promoting collaboration and information sharing between banks, law enforcement agencies, and regulatory bodies.
- vii. Providing regular training to employees to keep them informed about emerging fraud trends.
- viii. Establishing a strong regulatory framework with stringent guidelines and regulations.
- viii. Encouraging customer feedback and addressing their concerns regarding fraud prevention.
- ix. Embracing technology such as biometric authentication and secure mobile banking applications¹³.

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