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Research Article

A REVIEW RESEARCH ON ONLINE FINANCIAL FRAUDS IN INDIA

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Dr. S. Jamuna
Principal Investigator, CDSL Project, Rashtriya Raksha University, Lavad, Gujarat

Dr. J.R.Gaur
Nodal Officer- CDSL Project And Chief Mentor, SFRMNS, Rashtriya Raksha University, Lavad, Gujarat

Anshu Singh
Associate Principal Investigator-CDSL Project And Teaching Cum Research Associate, SFRMNS, Rashtriya Raksha University, Lavad, Gujarat

Dharam Barot
Research Cum Administrative Assistant, CDSL Project, Rashtriya Raksha University, Lavad, Gujarat

ABSTRACT

Reserve Bank of India observes Financial Literacy week every year since its starting from 2016. The financial literacy week is been observed with an aim to literate the public financially across our country. Last year (2022) it was observed between 14th February to 18th February with the core motto **"Go Digital, Go Secure"**. Last year's financial literacy weak gave stress on creating financial awareness on convenience and security of digital transactions and also protection of digital transactions. The highest bank of our country advised all other banks to disseminate information and create awareness to the general public. RBI has planned for a media campaign at a larger level to spread basic financial awareness messages to the common public. This initiative tells us the importance of financial literacy in our country. As the present government is keen on the development front through digitalisation, the literacy on financial transactions becomes more vital. General public may not involve in high number of transactions at a time in a day but the transactions collectively result to a huge amount in a day. So, being aware of each and every small transaction and the crimes connected to those transactions become more important for the mitigation and prevention of such frauds. In this context, this article tries to join hands with RBI to literate the public on the frauds and their mitigation.

KEYWORDS

Financial literacy, Awareness, Digital transactions, Development, Frauds.

INTRODUCTION

Financial literacy means having the skill set to manage one's money wisely. Financial literacy aims to provide basic numeracy related to the wise spending and saving of money. In a wider sense it can be understood as when the people are financially literate, they will have a better judgement about their spending and saving. If the public understand their own finance, then their contribution towards economy would be wider.

A study in the year 2004 funded by the Australian Commonwealth Bank reported that the financial skills and knowledge of people with different demography lack differently. It also stated that 10% of the surveyed population having lowest financial literacy was youngsters, males, students, less educated, unemployed and of lower income group. The study also said that the aged people were having lower financial skills. It was noted from the study that the literacy in finance is not the mere function of age and experience. The study also said that there was a positive relationship between the financial illiteracy and the health of individuals. Financially illiterate people also face problems in paying their dues like credit cards and mobile bills. (Commonwealth Bank Foundation 2008)

On the contrary the same study suggested that if the financial literacy level increased among 10% of Australians, then there would be increase in their incomes and reduction in the number of unpaid bills. The study suggested on a positive note that over 10 years from the date of study the benefit would add six billion dollar a year to the Gross Domestic Product and create more than sixteen thousand new jobs opportunity. In short, money spent on financial literacy would be money spent very well. A financially literate society will avoid adding more debt to their financing policy just because there is a cheaper availability of credit. This will result into non-defaulting of debt which will automatically help to minimise the bad debt of financial institutions and help in overall financial stability. (Commonwealth Bank Foundation 2008)

Overview of Financial Crimes in India

According to Reserve Bank of India, the highest banking regulator of our county, fraud means any act of commission or omission of amounts by any individuals or groups in a banking transaction or in the books of accounts. The deliberate commission or omission could be done manually or electronically which results into wrongful gain to the person intend to do it and the same may or may not cause loss to the bank (RBI 2022).

Frauds can be of false promise, hiding facts or inside trading tips. When these were done manually the victim will atleast get to know the place where the crime is done and locating the fraudster become easier when comparing it to the online crimes. Online frauds are such that the fraudsters can easily hide their faces behind the screen. In such a situation being aware of the frauds will prevent individuals to be trapped easily.

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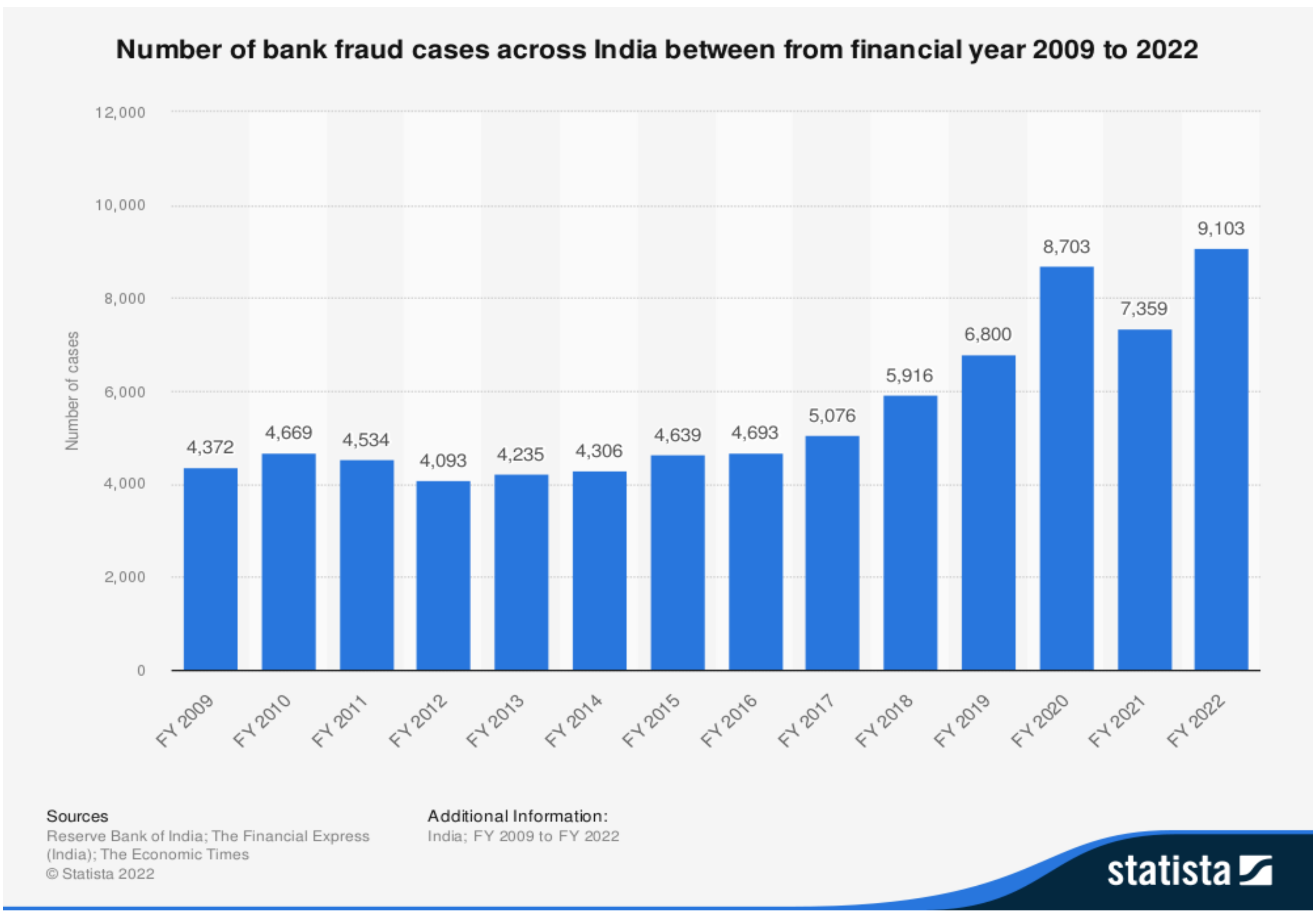
Under reporting of frauds is high among Indian banks, revealed Reserve Bank of India. The RBI also revealed that 90.6 percentage of the frauds reported in 2018-2019 were happened from the year 2000 to 2018. Nearly 40% of the under reported frauds actually occurred in the years from 2013 to 2016 released by the banking regulator in the latest edition of Financial Stability Report. The regulating bank cautioned that the time lag between the occurrence of fraud and the detection of it is significant. (RBI 2022)

Statista Research Department which published the RBI release in 21 July 2022 stated that across India there were a total of around 9,103 bank fraud cases in the financial year 2022. When comparing the data with previous year, there is an increase in bank fraud and there is a turnaround in the trend when compared to the last decade. (Statista 2022)



Source: Statista 2022

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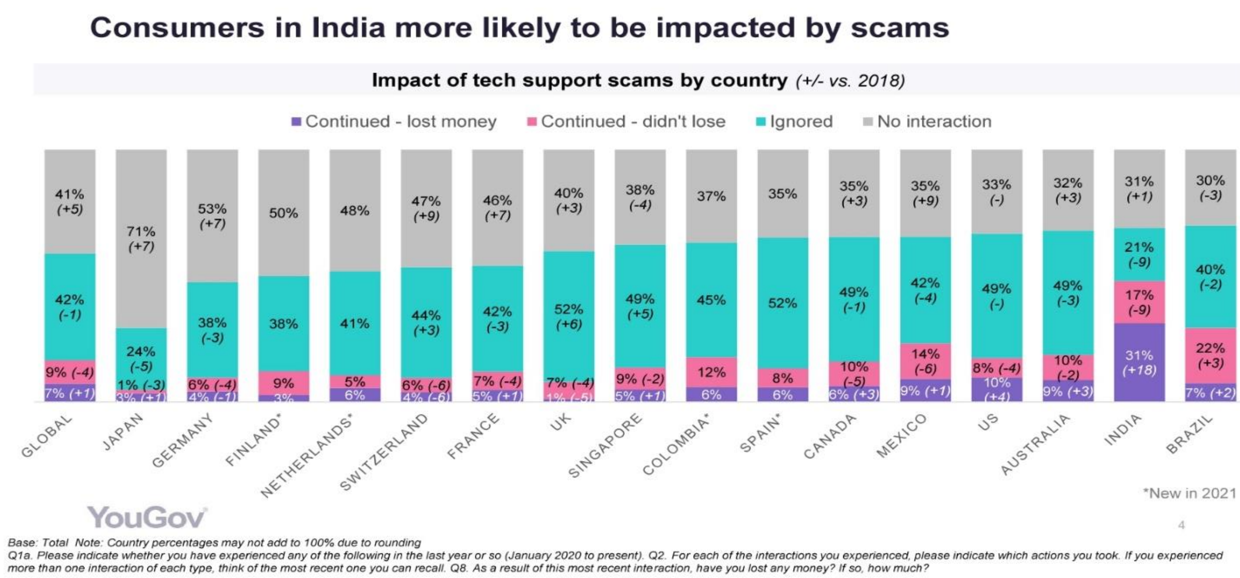
Microsoft 2021 Global Tech Support Scam Reports that the consumers in India are more likely to be impacted by scams. The below chart depicts the data. (Microsoft 2021)



The Hindu in its 22 July 2022 edition published the survey details of Microsoft 2021 Global Tech Support Scam Reports stated that 43 % of Indian customers lose their money in bank transfer, 38 % in gift cards, 32% in PayPal, 32 % in credit card and 25% lose the money in Bitcoin. The report also stated that 47% of the customers trusting the unsolicited contact.

The study revealed that there is an increase in the unsolicited call scams from 23% to 31% in India between the year 2018 and 2021. This data speaks loudly about the need for financial literacy. (Microsoft 2021)

Why does Financial Literacy Matter?

Financial literacy is a matter of concern at all levels. The level of literacy helps the public to manage their finance wisely, plan their financial affairs in a good way and improve their standard of living. When the public become wise in financial decision making the country itself will have a sound and efficient financial system. Undoubtedly a sound financial system will lead to a better performance of the country's economy.

Financial literacy will also lead the common public to live within their financial means. So, financial literacy to the common public will lead to a stronger household balance sheets which in turn will result into a resilient financial system. A better resilient financial system will

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lead to efficient allocation of resources within the economy. The need for financial literacy can be termed as 'Being good with money". Planning on finance is essential in every level of society to achieve individual financial goals. The plans may be of buying a home or education or old age pension. Cost of financial illiteracy will be "Being bad with money". Being bad with money will result into far lower standard of living and easy trap into financial scams.

There is also section of society which is very good in their financial budgeting and decision making but fall trap into financial frauds. The reason behind this is

1. They are trapped to financial scams or frauds because the offers stated by the fraudsters 'seems to be good to be true'.
2. The temptation to opt for a higher return for their investment without understanding high returns always join hands with high risk.

According to the studies by RBI official data and the Microsoft survey the common public trapped into the scam due to the following reasons:

In India there is a surge in the digital transactions in the past few years which got more intense by COVID-19 situations. People find it easy and convenient to make digital transactions. This led the public to opt more for digital transactions. The increase in digital transactions resulted into increase in the fraudulent activities.

There are only two contributors of financial fraudsters.

1. People who are away from financial literacy fall victim very soon due to their ignorance. These people when they get a call or any other initiation from the fraudsters' side respond immediately because they are unaware of the calls' intension. They blindly believe that the call is from bank officials and respond to them innocently. Even if any person approach them personally, they provide all the details the fraudsters asking for because of their innocents and ignorance.
2. People who are greedy or tempted to receive larger returns are the next target of the perpetrators. The society having a large population tempted to make easy and quick money. It is even called as smart work in the present scenario. Being smart is always good, but the problem arises when the expectations go much beyond the actual. Many of the false promises look like more of a genuine one. The person who is tempted for large return, fall trap into that without verifying the credibility.

Consolidation of the RBI and other studies gives the following Modus operandi for defrauding the public:

1. Phishing:

Perpetrators create a website that looks like a genuine website of bank, e.commerce site, search engine etc. Perpetrators distribute the links to the public through SMS, social media and e.mail. Public either due to ignorance or temptation will fall into the trap and become victims.

2. Vishing:

Perpetrators acting as executives of banks, insurance companies and any other financial institutions get in contact with the public over phone or social media and reveal some detail about the approached person like the name, date of birth and the address to win the trust of the customer. They either pressurise or trick the customer to share confidential information like passwords, OTPs PINs ad Card Verification Value (CVV) by citing an emergency or to avoid a penalty or by attractive discount.

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3. **Online Sales Platforms**

Fraudsters pose as purchasers on online sales platforms express interest in buying the product and then they request money in Unified Payments Interface apps instead of sending money. Unknowingly the seller authorises the request and enter the UPI PIN. The money is transferred to the account of the fraudster whenever the seller inputs the PIN.

4. **Unknown and Unverified mobile apps**

Imposters circulate app links through SMS, emails and other social media. They trick the customers to click on that. Once the app is downloaded by the customer, the perpetrator can get full access to the customer's account.

5. **ATM card skimming**

Fraudsters install skimming devices in ATM machine. They also install pinhole camera to capture the ATM PIN. Sometimes they stand nearby the customers as another customer to know the PIN by which they create duplicate card and withdraw money.

6. **Screen sharing app**

Fraudsters trick the customers by sharing a screen sharing app. When the customer download the app the fraudster can control the mobile or laptop of the customer and get access to the accounts.

7. **QR Code scan**

Fraudsters trick the customers to scan QR code by which they are authenticated to withdraw money.

Consolidation of RBI press release 2021-2022/1630 on 28 January 2022 gives the following financial measures:

- Confidential information like bank account details, PIN, login ID, password, OTP, ATM, debit card or credit card details should never be disclosed to anyone. Some fraudsters may approach you with official ID cards and ask for such information. Though their approach seems to be true, never reveal the confidential information said above to them.
- If you receive any phone call, e.mail or sms asking for any confidential information citing urgency, ignore that. If you are tempted to reveal such information, contact your bank immediately.
- Always be away from downloading unknown app to avoid leakage of your confidential information.
- Receipt of money do not require any barcode/ QR code scanning. So, beware if you are asked to reveal MPIN for the same.
- Never believe in the contact numbers of banks or financial institutions provided by search engines. Always verify contact details with the banks or financial institutions because the search engines' information may not be true always.
- Always use only trusted, verified and secured websites or applications for online banking. If you are suspicious of any website report it to the bank or cyber-crime.
- Frequently check your beneficiary list details and balance in your account to avoid malpractice.
- If you receive OTP for transaction not initiated by you immediately block the mode of transaction.
- Never share your e.mail password linked to your account to anyone. Also do not set a common password for banking transactions and social media sites.

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- Never set your password as 'password' which gives easy access to your account.

Apart from digital frauds some widely noted frauds in media are cheque fraud and collection of Aadar details

- If anyone approaches you with Identity cards and ask for a cancelled cheque for any banking purpose, avoid signing in a cancelled cheque. If there is a situation to cancel any cheque cancel it by your own pen because fraudsters lend a pen to you as if helping you out and after leaving your house, they can erase the cancellation by the same pen.
- Aadhaar number is highly personal. Treat it as a confidential number. Only for official purposes it can be used. Our government never tell anyone to approach a particular person and ask for Aadhar number. It is your citizenship identification number. Use it wisely. PAN number is more confidential. So provide it only in the place where it is essential. Public have to be clear in understanding that these numbers are not meant to be told to an unknow persons approaching you with some ID cards.
- There are calls from unknown persons tempting the customers stating that the customer has won a lottery which he/ she did not even buy. The temptation to get money makes the customer to reveal all the bank detail and fall to prey. In short customers should be aware of any call asking for bank related details.

CONCLUSION

Managing the finance by every individual is necessary at this digital era because one click may victimise an innocent and ignorant consumer to a great loss. As the finance is fast moving to the digital era, the fraudsters are also fast moving in their fraudulent activity. Public face a wide range of frauds in the products and services provided to them by banks. Managing finance needs learning financing. Once the financing and the prevention of fraud is known to the public the efforts of fraudsters will yield zero result thus the economy will be in a better state. In conclusion, financial literacy will give financial empowerment irrespective of age, gender and the education level.

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