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Name of Topic- Law and Policy relating to Bank Fraud its prevention and control: with special Reference to District West Champaran, State of Bihar.

Findings

Over the past twenty years, technology has significantly transformed all aspects of our lives, including the way we conduct banking transactions. The implementation of contemporary technology and automated systems in the banking industry has brought advantages to both financial institutions and their clients. Banks have seen advantages in terms of expanding their market and operations while also cutting expenses. In contrast, clients enjoy the advantage of being able to access banking services at any time and from any location. On the other hand, this technological advancement has also brought about new hazards and opportunities, particularly in terms of fraud, which are evolving with the technology and becoming increasingly advanced and intricate. Both the banking industry and fraudsters have embraced technology to their benefit. Regrettably, the laws and regulations are lagging behind rather than keeping up with the rapid progress of technology and its application. Indeed, it is imperative to accelerate.

According to the findings of the research, the banking structure in India is multi-layered, and it caters to a diverse customer base with a wide range of requirements. The modern banking industry is undergoing rapid change, increasingly becoming more diversified and competitive. This is causing the banking sector to become significantly more vulnerable, particularly with regard to the risks of fraud that originate from both internal and external sources.

Banking and Financial Institutions have consistently been the focus of fraudsters due to the inherent characteristics of their operations. The integration and adjustment of technology in Banking Services has increased the vulnerability of these institutions to risks,

particularly fraud risks. In the past ten years, particularly following the demonetization in 2017 and the onset of the Covid 19 pandemic, there has been a significant increase in the number of reported fraud instances. This is supported by data published by both the Reserve Bank of India (RBI) and the National Crime Records Bureau (NCRB). The significant growth in this trend can mostly be attributed to the growing dependence on and utilization of E-Banking Services, which have been found to be more susceptible to heightened security concerns when compared to conventional Banking Services.

In addition, banks have historically been vulnerable to fraudulent activities originating from within their own organizations. This is evident in Chanakya's book on economic policy, written in 330 BC, when he outlined the different methods via which staff may alter financial records or misappropriate funds from the treasury. The intricate nature of Banking systems, which utilize diverse technologies necessitating integration, and need granting different access credentials to users, has amplified the potential for Insiders to engage in fraudulent activities while reducing the likelihood of getting detected. The risks posed by insiders in the field of electronic banking are heightened due to their extensive understanding of the systems and vulnerabilities, increased ability to access customer's personal and financial information and the ability to carry out their actions discreetly under the guise of authorized use.

The formation of Special Investigating Agencies capable of dealing with Serious Frauds is necessary because to the nature, complexity, and frequent involvement of cross-border transactions. Special investigative agencies in India, such as the CBI, ED, and SFIO, look into cases of financial fraud, particularly bank fraud. The Reserve Bank of India hereinafter (RBI), which is the only body in India with the authority to oversee the banking sector, has released guidelines for the classification and reporting of fraud based on the Indian Penal Code hereinafter (IPC). However, the exact definition of 'Bank Fraud' has not been provided. The quantity involved in a specific fraud and whether it was perpetrated by internal or external sources are the two elements that determine the investigation of fraud cases by different investigative bodies, as stated in the aforementioned Master Directions. In most circumstances, the amount and involvement at the time of detection may not be ascertainable, and this divergence generates ambiguity regarding which agency would be responsible for investigating. Also, financial frauds, particularly those involving technology, can be very complicated, and not all investigating agencies have the resources to handle them.