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Financial Frauds in Banking Operations in India: Risk and Preventive Strategies

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ABSTRACT

Banking fraud is one of the major operational, financial and governance challenges confronting the Indian financial system. The years 2019–2026 witnessed a substantial transformation in the nature, frequency and financial severity of banking fraud in India. While traditional frauds involving advances, loans, documentation, collateral and internal controls remained important, rapid digitalisation introduced new forms of fraud involving cards, internet banking, mobile banking, digital payments, identity misuse, account takeover and social engineering.

This study analyses banking fraud across various banking operations in India during 2016–2026 using secondary data obtained primarily from Reserve Bank of India (RBI) Annual Reports, RBI supervisory statistics and regulatory directions.

The evidence reveals a significant structural transformation. RBI data show that digital-payment-related frauds have become dominant in terms of frequency, whereas advances-related frauds continue to dominate in terms of financial value.

The objective of the study is to evaluate the banking Frauds in various banking operations and in Bank Group wise in India during 2020–2026.

The study concludes that Indian banking fraud has developed into a dual-risk structure. Effective fraud-risk management requires real-time transaction monitoring, advanced analytics, stronger credit appraisal, integrated KYC systems, cyber security, employee accountability and customer awareness. This study ends with findings, suggestions and conclusion.

Keywords: Banking Fraud, Fraud Risk Management, Banking Operations

1. INTRODUCTION

The banking sector is a fundamental component of India's financial and economic system. Banks mobilise savings, provide credit, facilitate domestic and international payments, support investment and contribute to economic development. The rapid adoption of technology has transformed traditional banking into a highly interconnected digital financial ecosystem.

The period from 2019 to 2026 is particularly significant because it covers a seven years of accelerated financial digitisation. Internet banking, mobile banking, debit and credit cards, electronic fund transfers and UPI substantially increased the speed and accessibility of financial transactions.

However, technological transformation has also changed the nature of banking fraud. Traditional frauds including loan and advances, manipulation of financial statements, diversion of borrowed funds, forged documents, cheque fraud and Employee collusion etc,.

RBI's regulatory framework has evolved in response to these developments. The revised master directions on fraud risk management, issued on July 15, 2024, strengthened Board-level governance, Early Warning Signals, Red Flagged Accounts, timely reporting, internal controls and fraud-detection mechanisms. RBI also emphasised cyber resilience and digital forensic readiness.

The period 2019-20 to 2025-26 provides an important basis for analysing the transformation of fraud from a predominantly conventional banking problem into a multidimensional financial and technological risk.

NEED AND SIGNIFICANCE OF THE STUDY

The study is very significant. It covers an important seven year period of Indian banking transformation. It distinguishes between fraud frequency and fraud severity. It examines traditional and digital fraud simultaneously. It provides operational-level analysis. It identifies implications for banks, regulators and customers.

OBJECTIVES OF THE STUDY

The objective of the study is to evaluate the banking Frauds in various banking operations and in Bank Group wise in India during 2020–2026.

RESEARCH METHODOLOGY

The study uses a descriptive, analytical and comparative research design. The main data sources for this research work is RBI Annual Reports and RBI Trend and progress Reports from 2019-20 to 2025-26. The study employs analytical techniques like percentage analysis, average fraud value and comparative analysis.

2. STATISTICAL ANALYSIS

1. Number of Frauds in Various Banking Operations in India

Table 1 explains about the number of frauds in various banking operations in India during 2019-20 to 2025- 26.The Number of Frauds in advances are 4,610 (52.95%) in 2019-20 and decreased to 4,109 (30.37%) in 2022-23 and increased to 8,640 (85.43%) in 2025-26. The Number of Frauds in Card/Internet are 2,678 (30.76%) in 2019-20 and decreased to 6,659 (49.22%) in 2022-23 and increased to 13,516 (56.43%) in 2024-25. The Number of Frauds in Cash are 371 (4.26%) in 2019-20 and decreased to 1470 (10.86%) in 2022-23 and increased to 181 (1.79%) in 2025-26.

Table 1: Number of Frauds in Various Banking Operations in India during 2020-2026

(in Number)

Area of Operation	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26

Advances	4,610	3,501	3,839	4,109	4,133	7,950	8,640
Card/ Internet	2,678	2,545	3,596	6,659	29,082	13,516	293
Cash	371	329	649	1470	484	306	181
Cheques/ DDs	202	163	201	118	127	122	84
Clearing Accounts	22	14	16	18	17	6	3
Deposits	530	504	471	652	2,002	1,208	407
Forex Transactions	8	4	7	13	19	23	23
Inter-Branch Accounts	2	2	3	3	29	14	57
Off-balance Sheet	34	23	21	14	11	8	8
Others	250	278	300	474	171	800	418
Total	8,707	7,363	9,103	13,530	36,075	23,953	10,114

Source: RBI Annual Reports : 2019 to 2026

The Number of Frauds in Cheques/DDs are 202 (2.32%) in 2019-20 and decreased to 118 (0.87%) in 2022-23 and increased to 84 (0.83%) in 2025-26. The Number of Frauds in Clearing Accounts are 22 (0.25%) in 2019-20 and decreased to 18 (0.13%) in 2022-23 and decreased 3 (0.03%) in 2025-26. The Number of Frauds in Deposits are 530 (6.09%) in 2019-20 and increased to 652 (4.82%) in 2022-23 and decreased 407 (4.02%) in 2025-26. The Number of Frauds in Forex Transactions are 8 (0.09%) in 2019-20 and increased to 13 (0.10%) in 2022-23 and increased 23 (0.23%) in 2025-26. The Number of Frauds in Inter-Branch Accounts are 2 (0.02%) in 2019-20 and increased to 3 (0.02%) in 2022-23 and increased 57 (0.56%) in 2025-26. The Number of Frauds in Off-balance Sheet are 34 (0.39%) in 2019-20 and decreased to 14 (0.10%) in 2022-23 and decreased 8 (0.08%) in 2025-26. The Number of Frauds in Others are 250 (3%) in 2019-20 and increased to 474 (4 %) in 2022-23 and decreased 418 (4%) in 2025-26. The Number of Total Frauds is 8,707 in 2019-20 and increased to 13,530 in 2022-23 and decreased 10,114 in 2025-26.

2. Number of Frauds in Bank Group wise in India

Table 2 demonstrates about Number of Frauds in Bank Group wise in India during 2019-20 to 2025-26. The Number of Frauds in Public Sector Banks are 4410 (50.67%) in 2019-20 and decreased to 3,331 (24.69%) in 2022-23 and increased to 5418 (53.57%) in 2025-26. The Number of Frauds in Private Sector Banks are 3065 (35.22%) in 2019-20 and increased to 8971 (66.48%) in 2022-23 and decreased to 3956 (39.11%) in 2025-26. The Number of Frauds in Foreign Banks are 1026 (11.79%) in 2019-20 and decreased to 804 (5.96%) in 2022-23 and decreased to 210 (2.08%) in 2025-26. The Number of Frauds in Financial Institutions are 15 (0.17%) in 2019-20 and decreased to 9 (0.07%) in 2022-23 and increased to 13 (0.13%) in 2025-26.

Table 2: Number of Frauds in Bank Group wise in India during 2019-20 to 2025-26

(In Number)

Bank Group/ Institution	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Public Sector Banks	4,410	2,901	3,078	3,331	7,460	6,935	5,418
Private Sector Banks	3,065	3,710	5,334	8,971	24,207	14,233	3,956
Foreign Banks	1,026	520	494	804	2,899	1,448	210
Financial Institutions	15	24	10	9	1	2	13
Small Finance Banks	147	114	155	311	1,019	1,217	467
Payment Banks	38	88	30	68	472	113	47
Local Area Banks	2	2	2	0	2	5	3
Total	8,703	7,359	9,103	13,494	36,060	23,953	10,114

Source: RBI Annual Reports : 2019 to 2026

The Number of Frauds in Small Finance Banks are 147 (1.69%) in 2019-20 and increased to 311 (2.30%) in 2022-23 and increased to 467 (4.62%) in 2025-26. The Number of Frauds in Payment Banks are 38 (0.44%) in 2019-20 and increased to 68 (0.50%) in 2022-23 and increased to 47 (0.46%) in 2025-26. The Number of Frauds total is 8,703 in 2019-20 and increased to 13,494 in 2022-23 and increased to 10114 in 2025-26.

3. Amount involved because of Frauds in Various Banking Operations in India

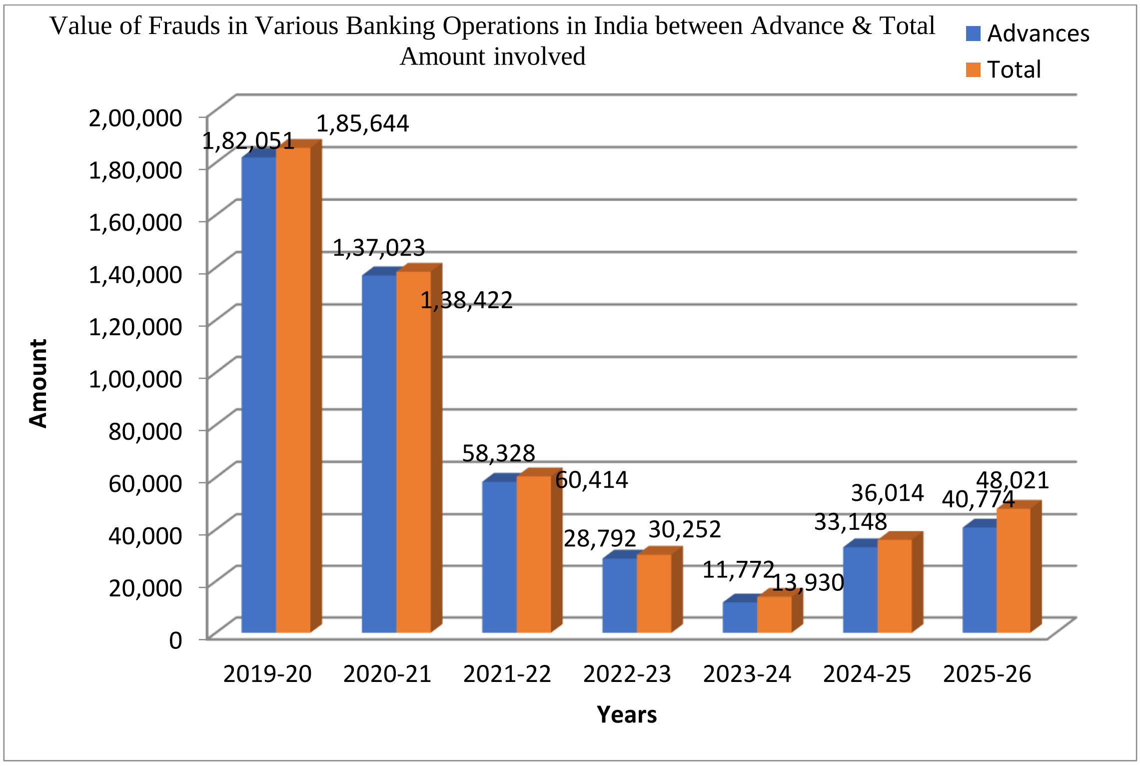
Table 3 denotes about Amount involved frauds in various banking operations in India during 2019-20 to 2025- 26. The Amount of Frauds in banking operations in advances are Rs. 1,82,051 crores (98%) in 2019-20 and decreased to Rs. 28,792 crores (95%) in 2022-23 and increased to Rs. 40,774 crores (85%) in 2025-26. The Amount of Frauds banking operations in Card/ Internet are Rs. 195 crores (0.11%) in 2019-20 and increased to Rs. 276 crores (0.91%) in 2022-23 and decreased to Rs. 29 crores (0.06%) in 2025-26. The Amount of Frauds banking operations in Cash are Rs. 63 crores (0.03%) in 2019-20 and decreased to Rs. 158 crores (0.52%) in 2022-23 and increased to Rs. 35 crores (0.07%) in 2025-26. The Amount of Frauds banking operations in Cheques/DD are Rs. 39 crores (0.02%) in 2019-20 and decreased to Rs. 25 crores (0.08%) in 2022-23 and increased to Rs. 14 crores (0.03%) in 2025-26.

The Amount of Frauds banking operations in deposits are Rs. 616 crores (0.33%) in 2019-20 and decreased to Rs. 258 crores (0.85%) in 2022-23 and increased to Rs. 377 crores (0.79%) in 2025-26. The Amount of Frauds banking operations in Forex Transactions are Rs. 54 crores (0.03%) in 2019-20 and decreased to Rs. 12 crores (0.04%) in 2022-23 and increased to Rs. 125 crores (0.26%) in 2025-26. The Amount of Frauds banking operations in Off-balance Sheet are Rs. 2,445 crores (1.32%) in 2019-20 and decreased to Rs. 296 crores (0.98%) in 2022-23 and increased to Rs. 521crores (1.08%) in 2025-26. The Amount of Frauds banking operations in Others are Rs. 181 crores (0.10%) in 2019-20 and decreased to Rs. 435 crores (1.44%) in 2022-23 and increased to Rs. 6,146 crores (12.80%) in 2025-26. The Amount of Frauds banking total operations are Rs. 1,85,644 crores in 2019-20 and decreased to Rs. 30,252 crores in 2022-23 and increased to Rs. 48,021 crores in 2025-26.

Table-3 Amount involved because of Frauds in Various Banking Operations in India during 2020-2026 (Rs. In Crores)

Area of Operation	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Advances	1,82,051	1,37,023	58,328	28,792	11,772	33,148	40,774
Card/ Internet	195	119	155	276	1,457	520	29
Cash	63	39	93	158	78	39	35
Cheques/DD	39	85	158	25	42	74	14
Deposits	616	434	493	258	240	527	377
Forex Transactions	54	129	7	12	38	16	125
Off-balance Sheet	2445	535	1077	296	256	270	521
Others	181	58	103	435	47	1420	6,146
Total	1,85,644	1,38,422	60,414	30,252	13,930	36,014	48,021

Source: RBI Annual Reports: 2019 to 2026



4. Amount involved because of Frauds Bank group wise in India

Table 4 examines about Amount of Frauds in Bank Group wise in India during 2019-20 to 2025-26.The Amount of Frauds in Public Sector Banks are Rs.148224 crores (79.92%) in 2019-20 and decreased to Rs. 12557 crores (66.16%) in 2022-23 and increased to Rs.35709 crores (74.36%) in 2025-26. The Amount of Frauds in Private Sector Banks are Rs. 34211 crores (18.45%) in 2019-20 and decreased to Rs. 5206 crores (27.43%) in 2022-23 and increased to Rs. 11399 crores (23.74%) in 2025-26.

Table-4 Amount involved because of Frauds Bank group wise
In India during 2020-2026

(Rs. In Crores)

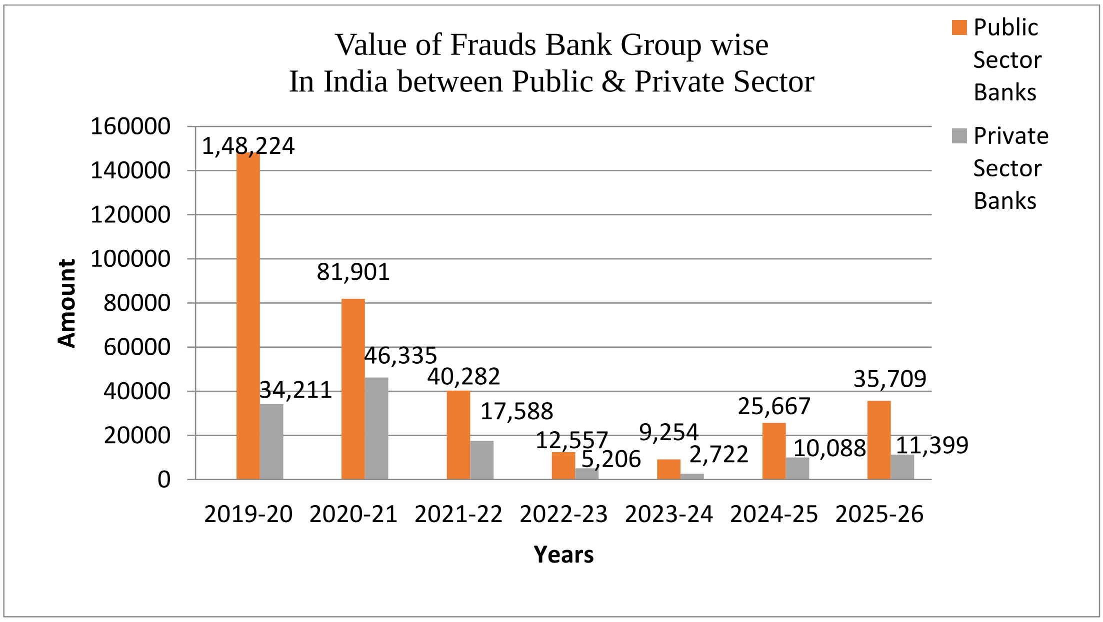
Bank Group/ Institution	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Public Sector Banks	1,48,224	81,901	40,282	12,557	9,254	25,667	35,709
Private Sector Banks	34,211	46,335	17,588	5,206	2,722	10,088	11,399
Foreign Banks	972	3,280	1,206	292	154	181	290
Financial Institutions	2,048	6,663	1,305	888	1	13	498
Small Finance Banks	11	30	30	31	64	58	114

Payment Banks & others	2	2	3	7	35	7	11
Total	1,85,468	1,38,211	60,414	18,981	12,230	36,014	48,021

Source: RBI Annual Reports : 2019 to 2026

The Amount of Frauds in Foreign Banks are Rs. 972 crores (0.52%) in 2019-20 and decreased to Rs. 292 crores (1.54%) in 2022-23 and decreased to Rs. 290 crores (0.60%) in 2025-26.

The Amount of Frauds in Financial Institutions are Rs. 2048 crores (1.10%) in 2019-20 and decreased to Rs. 888 crores (4.68%) in 2022-23 and increased to Rs. 498 crores (1.04%) in 2025-26. The Amount of Frauds in Small Finance Banks are Rs. 11 crores (0.01%) in 2019-20 and increased to Rs. 31 crores (0.16%) in 2022-23 and increased to Rs. 114 crores (0.24%) in 2025-26. The Amount of Frauds total is Rs. 185468 crores in 2019-20 and decreased to Rs. 18981 crores in 2022-23 and increased to Rs. 48021 crores in 2025-26.



FINDINGS

1. The number of frauds in advances operations increased 4,030; the number of frauds in card/ internet operations decreased 2,385 and the number of frauds in cash operations decreased 190 in the assessment period 2019-20 to 2025-26.
2. The number of frauds in Cheques/DDs operations decreased 118; the number of frauds in Clearing Accounts operations decreased 19 and the number of frauds in deposits operations decreased 123 in the assessment period 2019-20 to 2025-26.
3. The number of frauds in Forex Transactions operations increased 15; the number of frauds in Inter-Branch Accounts operations increased 55 and the number of frauds in Off-balance Sheet operations increased 26 in the assessment period 2019-20 to 2025-26.
4. The number of frauds in others operations increased 26 and the number of frauds in total operations increased 1,407 in the assessment period 2019-20 to 2025-26.

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5. The number of frauds in Public Sector Banks increased 1,008 (22.86%); frauds in Private Sector Banks increased 891 (29.07%); frauds in Foreign Banks decreased 816 (79.53%); in Financial Institutions decreased 2 (13.33%); frauds in Small Finance Banks increased 320 (217.69%); frauds in Payment Banks decreased 9 (23.68%); frauds in total increased 1,411 (16.21%) in the assessment period 2019-20 to 2025-26.
6. The Amount of Frauds in banking operations in advances increased Rs.1,41,277 crores; in Card/ Internet operations decreased Rs. 166 crores; in Cash operations decreased Rs. 28 crores; in Cheques/DD operations decreased Rs. 25 crores; in deposits operations decreased Rs. 239 crores; in Forex Transactions operations increased Rs. 71 crores; in Off-balance Sheet operations decreased Rs.1,924 crores; in Others operations increased Rs. 5,965 crores; total operations decreased Rs.1,37,623 crores in the assessment period 2019-20 to 2025-26.
7. The Amount of Frauds in Public Sector Banks decreased Rs. 1,12,515 crores; in Private Sector Banks decreased Rs. 22,812 crores; in Foreign Banks decreased Rs. 682 crores; in Financial Institutions decreased Rs.1,550 crores; in Small Finance Banks decreased Rs. 103 crores; in Payment Banks & others decreased Rs. 9 crores and the total operations decreased Rs. 1,37,447 crores in the assessment period 2019-20 to 2025-26.

SUGGESTIONS

1. The number of frauds in advances operations are increased 87.42%; in Forex Transactions operations are increased 187.50%; in Inter-Branch Accounts operations increased 2750%; in Off-balance Sheet operations increased 76.47%; in others operations are increased 168% and the number of frauds in total operations increased 16.16% in the assessment period 2019-20 to 2025-26.
   Frauds in advances showing negative impact on the banking operations, it is suggested that the RBI should take necessary steps to decrease the frauds in operations of advances and other operations.
2. The number of frauds in Public Sector Banks increased 22.86%; in Private Sector Banks increased 29.07%; in Small Finance Banks increased 217.69%; in total increased 16.21% in the assessment period 2019-20 to 2025-26.
   The increases of frauds showing negative impact on the bank group wise operations, it is recommended that the RBI take care and make necessary steps to decrease the frauds in operations of Public Sector Banks and Private Sector Banks.
3. The Amount of Frauds in banking operations in advances increased 77.60%; in others operations increased 3295.58% in the assessment period 2019-20 to 2025-26. It showing negative impact on the banking operations, it is suggested that the RBI should take necessary steps to decrease the frauds in operations of advances and other operations.
4. The Amount of Frauds in Public Sector Banks decreased 75.91%; in Private Sector Banks decreased 66.68%; in Foreign Banks decreased 70.16%; in Financial Institutions decreased 75.68% and the total operations decreased 74.11% in the assessment period 2019-20 to 2025-26.
   Even though, the amount involved because of Frauds Bank group wise decreasing, It is recommended that, the RBI take necessary steps to decrease the frauds in operations of Public Sector Banks and Private Sector Banks.

3. CONCLUSION

The banking system has moved from an environment dominated by branch-based, documentation and credit-related fraud towards a complex ecosystem in which conventional fraud coexists with digital payments, card fraud, and internet banking fraud, identity misuse, cyber-enabled fraud and social engineering.

Ultimately, India's objective should not merely be to reduce the number of reported frauds. It should be to reduce expected financial loss, detection delay, systemic vulnerability and customer harm while preserving trust in the country's rapidly expanding digital financial ecosystem. The RBI should take necessary steps to streamline frauds in the operations of Indian banking system.

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