Indian Economy · GS - III

Examine the role of banking institutions and financial regulators in protecting consumers against digital payment frauds in India. Suggest measures to strengthen accountability and cybersecurity in digital banking.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 30/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Digital financial inclusion; unauthorised electronic transactions; RBI guidelines; customer liability; banking due diligence; cybersecurity; consumer protection; grievance redressal; financial literacy

Model Answer

Introduction

The expansion of digital banking has improved financial inclusion and transaction efficiency but has also increased exposure to phishing, identity theft and unauthorised electronic transactions. Protecting consumers requires strong institutional accountability.

Role of Banks and Regulators

- **Banking responsibility:** Banks must maintain secure systems, monitor suspicious transactions and promptly communicate potential threats to customers.
- **RBI guidelines:** RBI's framework on customer liability provides safeguards in cases of unauthorised electronic banking transactions.
- **Regulatory oversight:** RBI supervises banking institutions and issues directions to strengthen operational and cybersecurity standards.

- **Legal protection:** The Information Technology Act, 2000, and consumer protection mechanisms provide avenues for addressing cyber-related grievances.

Challenges

Limited digital literacy, delayed fraud reporting, sophisticated cyberattacks and difficulties in recovering transferred funds weaken consumer protection.

Way Forward

Banks should strengthen real-time fraud detection, multi-factor authentication, transaction alerts and rapid complaint resolution. Clear compensation procedures, effective coordination among banks and law-enforcement agencies, and public awareness are equally important.

Conclusion

Digital banking security must be treated as a shared responsibility, with banks and regulators ensuring accountability while protecting customers' trust in India's digital financial ecosystem.

BECOME IAS
AI POWERED UPSC PREP