Indian Economy · GS - III

Examine the challenges posed by digital arrest frauds to India's banking system and discuss the need for stronger institutional accountability and consumer protection.

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

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Digital arrest scams; cybercrime; banking security; RBI guidelines; customer liability; institutional accountability; financial literacy; cybercrime coordination

Model Answer

Introduction

Digital arrest frauds involve criminals impersonating police officers or government officials to intimidate victims into transferring money. These scams threaten financial security and public confidence in digital banking.

Major Challenges

1. Financial Vulnerability

Fraudsters exploit fear, misinformation and psychological pressure, often targeting vulnerable individuals and extracting substantial savings.

2. Banking System Risks

Weak authentication, social engineering and delayed fraud reporting can complicate the recovery of stolen funds.

3. Regulatory Accountability

The RBI's framework on unauthorised electronic transactions provides for customer-liability protection under specified conditions. Banks must strengthen monitoring, reporting and grievance-redressal mechanisms.

4. Institutional Coordination

Effective action requires cooperation among banks, telecom operators, law-enforcement agencies and I4C.

Way Forward

- Introduce rapid transaction-freezing and reporting mechanisms.
- Strengthen real-time fraud detection and suspicious transaction monitoring.
- Improve customer awareness and digital literacy.
- Establish transparent compensation procedures, including clear assessment of institutional negligence.

Conclusion

Combating digital arrest fraud requires a coordinated approach combining technological safeguards, regulatory accountability and informed consumers. Financial institutions must ensure that digital convenience does not come at the cost of customer security.

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