Indian Economy · GS - III

Examine the role of the Reserve Bank of India's revised digital fraud compensation framework in strengthening consumer protection and trust in India's digital banking ecosystem.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 31/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Digital banking fraud; RBI regulatory framework; customer liability; compensation mechanism; cybercrime reporting; consumer protection; financial inclusion; cybersecurity awareness

Model Answer

Introduction

Rapid digitalisation of banking has improved financial accessibility but increased exposure to phishing, identity theft and fraudulent electronic transactions. RBI's revised framework seeks to strengthen customer protection.

Major Provisions and Significance

- **Financial Compensation:** Eligible individual victims with gross losses up to ₹50,000 can receive 85% of net loss or ₹25,000, whichever is lower.
- **Reporting Deadline:** Victims must report fraud to their bank and the national cybercrime portal or helpline 1930 within five calendar days.
- **Lifetime Benefit:** The compensation facility is available once during an individual's lifetime.

- **Accountability:** The framework strengthens banks' responsibility in examining fraudulent transactions and determining customer liability.
- **Faster Redressal:** It prescribes timelines for complaint resolution, including up to 45 calendar days for domestic cases.

Challenges and Way Forward

Banks need stronger fraud detection, secure authentication, accessible complaint mechanisms and customer awareness. Coordination between banks and cybercrime agencies must also improve.

Conclusion

The framework can strengthen trust in digital banking, provided compensation, investigation and grievance redressal mechanisms are implemented effectively.

