

An Overview on Financial Frauds in Indian Banking Sector

¹Mr. K. Madapana, ²Mr. P. Rama Murty,

¹Assistant Professor, School of Management Studies, GIET University, Gunupur, Orissa,

²Assistant Professor, School of Management Studies, GIET University, Gunupur, Orissa,

ABSTRACT

This article gives an insight about the development and improvement of Indian consumer security issues and change component in the banking industry with special reference to branchless banking service. This study also focuses on Consumer protection issues in the Indian banking area that have been progressively brought under the scanner of the lawful discussions by the consumers. Prior studies reveal that the increasing rate of white-collar crimes and financial frauds highlighted to reduce demands stiff penalties and exemplary punishments. This paper reflects that investors had a little idea about a complex monetary item, for example, Credit Default Swap (CDS) which set off the global financial crisis in 2008. In India, this study suggests individuals to be aware about monetary cheats, ponzi plans, and utilize their well-deserved investment funds in an offer to make quick benefits through such plans.

Keywords: Banking Sector, Financial frauds, Accounting Scandal, Consumer Protection.

INTRODUCTION

The country's economy is majorly depends on banking sector and its performance. In India the banking sector occupied a social and developing role of nation. It's the prime sector to bridge the gap between the barrowers and lenders. In present situation the performance of banks and its activities increasing vitally, the people of nation also understand the needs of banking services in present era. Many national policies initiated towards usage of banking services. In this high developing and growth moment the sector in another

side fall on lot of NPA's and impacted by many industries and individuals. Hence we have a need to understand the back stories of banking system and what impacted and how it's resolved and recovered by banking industry.

The statement discussion regarding numerous rules in this area, problems put up with by the banking sector with special strain on public sector banks (as the majority of NPAs lie down on the banks financial sheets) and achievable suggestions which will facilitate take the edge off these issues (Bhasin, 2016).

Fraud is potentially immoral means to acquire money, property or other assets owned or supposed by financial institutions, or to get hold of money from depositors by regulatory posing as a Bank or other financial institutions. Due to broken up situation in present fast moving generation by technological innovations are done most sectors are shifting to technology from manual work, it means while many duplications are done by some frauds who are educated professionals and some by hackers which affect the fiscal policy of our country. Even though technology is improving many frauds are happening, ultimately common people are suffering (Moreira, 2012).

Chartered Accounting and Practices

Chartered Accounting practices do not give an "accurate and light" vision of the financial statements, contained by the purview of valid laws and present accounting standards. The CA observes enhance the manger occupied to improve the profit in case of inappropriate situation and suggested that such practices can be minimized by good corporate governance practices. An in detail analysis of India's Enron, Satyam Computer's "creative-accounting" scandal.

In public companies, this type of 'creative' accounting leading to fraud and investigations are, therefore, launched by the various governmental failures to notice agencies.(Bhasin, 2016).

Banks should cautiously examine signatures on cheques. For uneducated depositors their photo should be affixed and reducing Blank cheques leaves surrounded by the customers should their impressions. Effectively wipe out. Banks should educate their customers about the frauds to reduce the customers about the frauds to reduce the customers fear in making banking transactions and they should observe on customers who are with fraud records. Communicating ought to be well designed between banker and customer to keep them secure (Patra, 2014).

This article says the duty of banks is not only to provide means of payment for goods and service to provide safe and sound operations to banking Organization. The Bankers Should understand the factors underlying fraud , compiling programs against fraud and set a proper internal control system .this Article stretches on internal control system which plays a major role in fraud control (Salehi & Shiri, 2013).

Due to globalization many changes happened in the bank industry because of the technological change. In past they have given less importance to manual work. But at present the banking operations are privatized and the frauds are also increasing. This article is about customer's opinion in e-banking because of hacking, late response of employee. The customers are not able to fully utilize the advantages of e-banking (Uppal, 2009).

E-banking and its challenges

E-banking has come with its challenges. Electronic banking Services are the banking class of services that can be offered by a bank to its individual company through electronic means via mobile internet. But the are many

security fears, with this e-banking globally because Cultural barriers. Bankers are also increasing security features in eradicating the frauds some of the prevention measures are biometric authentication fraud prevention software, time password, multi-layer password (Usman & Badawi, 2013).

The public sector is not only experiencing alone in combating expense fraud. In fact, the private sector is also experiencing it and the private expense fraud is estimated at \$5 billion. It says tempt people remind your employees that the expenses reports are to be monitored and analyzed and implementing software that automates the expense process. Get rid of manual process. This reduces the committing expense fraud. The various bank frauds and their prevention and detection are discussed. Fraud is the Major factor in the bank failure. It also says that internal control did not prevent the abstraction of money (or) securities. It is not properly adequate and the accounts are also manipulated .In order to control frauds we should learn from our past experiences (Aibert, 1969).

Online Frauds

The internet banking which has become more popular and profitable. They are also providing new ways for interacting with the customers'. They are also removing the barriers of distance between banking institutions and their clients and there is possibility of happening of high risk because of hackers. Internet banking literacy should be given to all in order to decrease the frauds and the banks should also use antifraud measures and MBNET in order to control them (Moreira, 2012).

The regular and most common frauds such as white collar effects on losses online frauds, ATM thefts, manipulation on money laundering activities. They says that company should use video cameras, security officer's onsite and rising technology such as situation on system or GPS tags in ready. The financial frauds particularly the problems faced by the investors and how they are manipulated. This article discuss about how fraud can happen to sophisticated investor and what can be done to keep less

knowledgeable and experienced investor from falling prey to financial frauds. The frauds happen because people want to maximize their return of investment with less knowledge and they are not even focusing on who are middle men (stockbroker) between the company and him. So providing them maximum knowledge on fraud may decrease the happening of frauds (Steven, 1998).

Banking and Financial Issues

The major occupied NPA's in the banking leads to decrease its profitability. The NPA's are concerned and linked with some fraud actions. Whereas public sector banks addressed for majority of the portion of NPA's by series of financial frauds and NPA on volume of money concerned. An additional analysis is performed to spot the foundation cause for constant. According to Goel, & Ansari (2015), Non-Public banks it involves its functioning and financial inclusion policies. The infrastructure is majorly fixated by the general public sector banks such funding involves quality of funds. Ten years past, once the economy was successful, inestimable infrastructure were pursued where as to accept them it had been a reasonably fair call. The thumb rule growth of credit is a pair of 0.5 time's gross domestic growth.

The infrastructure funding was compacted through the crisis and required cash to transfer to public sector banks punctually representing major sources like mining and land acquisition problems, rejection of 2G permission, native frauds weren't predictable. This results in reduction of flow of revenue steam obviously there was among the most Acceptable reasons for turning investments in NPA's since public sector banks had a considerable portion of such investments, in that majority of them reformed as like NPA's supports the amount of money concerned.

Kabirusman (2013), explained about NPA found as gross domestic product downfall. comparable was the same issue with the bureau 7020 core value of the loans to coraciiform bird airlines through the multiple banks, since at the moment of investment, aviation segment required resource to grow.

Safekeeping value this huge a quantity isn't doable and experience of individuals World Health Organization worth and access comes is relied ahead. Therefore a considerable partition of the loan was under-secured. Auxiliary, corruption is out of control, different reasons accountable for NPAs square measure external conditions like market retardation, etc. As mentioned earlier, since non-public banks don't deal the maximum amount with massive scale comes and infrastructure funding, the quantity of cash concerned in camera banking NPAs is considerably not up to that of public sector ones (Moreire, 2012).

Frauds Issues

According to Bhasin (2016), the frauds could also be largely attributable to be short of omission of prime management, defective enticement machine in situ for workers, conspiracy between the staffs or business borrowers and third party civilization, weak restrictive scheme, be short of of applicable tackle and knowledge in situ to discover the first caution signals of a fraud, be short of of responsiveness of bank staff and customers, lack of harmonization among totally dissimilar banks crosswise India and abroad. Towards substantial the gaps, major suggestions enclosed improvement in culture and angle of prime management of the firm, giving priority to awareness sweetening among the staff members, adequate info speech act to applicable authorities, money awareness sweetening of inquiring agencies, escalation and enhancing the scope of internal superior bodies, strengthening restrictive system for third party authorities' regulation, institution of central repository system intended for fraud connected info sharing across totally various banks, IT direction.

There is core be short of harmonization amongst the various banks on information distribution related to fraud associated knowledge. Central Repository has toward came upon wherever every banker should share fraud connected data and particulars to be used for potential allusion by alternative banks. This shall be keeping pace and supervised by acceptable powers that be to make sure acceptable utilize

and forestall use wrongly of the info (Usman & Badawi, 2013).

Acceptable provision ought to be created for IT department to stop technology frauds. Adequate incentive mechanisms ought to be in situ to boost the amount of merchants providing technology solutions that shall lead to acceptable worth discovery and provision of higher quality technology solutions.

Jones (2011) reveals that there is a requirement intended for robust regulative and super ordinate system in to observe the taking part of intermediary agencies in any fraud case and to make sure acceptable penalization for the at fault. For instance, there's very little response by the Institute of hired Accountants of Asian nation (ICAI) 24 once there square measure any grievances received against hired accountants, and that they pass unscathed.

There's a desire for intensification of Vigilance departments by the banks and stipulation of adequate funds to assist them perform their duties efficiently. It's supposed that The New firms Act 2013 can over reinforce rules in situ for auditors, lawyers and different third parties concerned in borrowing and disposal transactions. Since it's been brought addicted to impact solely a year back, it's still early for the results to point out. A potential modification that would be created to the current act is to bring banks that to realize this; a parallel provision within the act is created. We have a tendency to conjointly would like stronger social control of the prevailing law, legislation of stronger laws and admittance to money experience created offered to varied enforcement agencies in India.

RECOMMENDATIONS

The knowledge and attitude of high level management will be a significant prevention to frauds usually the banks offers priority to non public gains. The highest management must set the standardized rules and policies to prevent the fraudulent actives.

The bankers need to make an Early Warning Signals (EWS) to detection of the fraudulent actives the information should

share to the related customers and prevent before the fraud was happen.

The institutes must follow the current/quick ratios standards to prevent the NPS's and not to convert the normal debt into bad debt.

Causes involving fraud ought to be created public and individual concerns should scale the banks to the system. The activates should declare as FTO (Fair Trade Organic) and also the fastest result is required to be followed and there is a fast justice is required.

CONCLUSION

The paper observed with literature review that globally the standards set by the various organizations in their respective nations to prevent the fraudulent activates in the banking system. The increase NPA's are the major reason for global crisis. The United Nations agency while handling crisis, it given as observed guidelines to prevent and manage the NPA's they amended number of guidelines and framework to forestall frauds occurring from various causes.

The committee like P.J Nayak recommendations to enhances potentiality of public sector banks.

It's systems that 360 degree understanding of the present system to prevent the fraudulent activates and as well as the technological impacts the equal chances of the fraudulent cases.

“Technology up gradation on the day to day basis is very important for the corporate and government to protect data from cyber-crimes”.

REFERENCES

1. Bhasin, SURVEY OF CREATIVE ACCOUNTING PRACTICES: AN EMPIRICAL Study walfeniamadan; Vol.23 No.1 Jan 2016, Pg No.4.
2. DR. Ranjan Kumar Patra, “International Academic Research For Multidisciplinary. Vol-2 No.4 May 2014.
3. Bhasin, M.L. (2011). Corporate Governance Disclosure Practices: The Portrait of a Developing Country, International Review Of Business Research Papers, January, 7(1), 393-419.

4. R k Uppal, E-Delivery Channel – Based Banking Services: An Empirical Study R K Uppal the icfaian Journal of Management Research, Vol. 3 2 VIII, No. 7, 2009.
5. Aldas Manzano J, Ruiz-Mafe, C., Sanz-Blas, S. And Lassala-Navarre, C. (2011), “Internet Banking loyalty: Evaluating the Role of Trust, Satisfaction, Perceived Risk and Frequency of Use”, Service industries Journal, Vol. 31 No. 7, Pp. 1165-90.
6. Mahdi Salehi, Effectiveness Of Internal Control In The Banking Sector: Evidence From Bank Mellat , Iran Mahdi Salehi*, Mahmoud Mousavishir, I The IUP Journal Of Bank Management, Vol. XII, No. 1, 2013)
7. Ahmad Kabirusman , Journal Of Internet Banking And Commerce: AHMAD KABIR USMAN; Ibrahim M. Badawi, Critical Success Factors For Preventing E-Banking Fraud, JIBC August 2013, Vol. 18, No.2
8. Zauld Report, (Aibert N. Schreiber The Accounting Review, January 1969.)
9. Aggarwal, Vaibhav, (2011), SBI to Set Up Postmen as Bcs for Rural Penetration. Feb, 15, Http://Www.Rupee Times.Com/News/ PERSONAL LOAN / SBI TO SET UP Postmen As Bcs For Rural Penetration Accessed On July 27, 2011.
10. Babakus E And Boiler G W (1992), “An Empirical Assessment Of The Servqual scale”, Journal Of Business Research, Vol. 24, No. 3, Pp. 253-268.
11. Bahia K And Nantel J (1998), “A Reliable And Valid Measurement Scale For The Perceived Service Quality Of Banks”, International Journal Of Bank Management, Vol. 18, No. 2, Pp. 84-91
12. ECP Brings Paperless Cash Clearing Closer. (Steven Pressmen, American Journal of Economics and Sociology. Vol. SI, No. 4 (October, 1998)
13. Badawi, I. "An Inventory Of Cases Of Corporate Fraudulent Financial Reporting," Responsible Business In A global Economy, Shyam S. Lodha, Xiahong He, And Anita Jackson, Editors. New Haven: South western Connecticut State University, May 29-30, 2003, 10-12.
14. American Journal of Economics and Sociology. Vol. SI, No. 4 (October, 1998). © 1998 American Journal of Economics and Sociology'. Inc.
15. JOURNAL OF INTERNATIONAL ACADEMIC RESEARCH FOR Multidisciplinary impact Factor 1.393, ISSN: 2320-5083, Volume 2, Issue 4, May 2014.
16. Goel, R. & Ansari, A.A. (2015). Abuse of creative accounting: a case study of Satyam computer services ltd. Research Journal of Commerce & Behavioral Science, 4(3) Jan, 65-70.
17. Jones, M. (2011). Creative accounting, fraud and international accounting scandals, John Wiley & Sons Ltd. London.
18. Journal of Internet Banking and Commerce, (The Use of Internet Banking among Portuguese College students) August 2012, Vol.17, No.