# Surge in Bank Fraud Value Despite Decline in Cases: RBI Data for FY25

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## Bank Fraud Latest News

- According to RBI’s Annual Report, bank frauds reduced in FY25 but the amount involved went up almost three-fold and most cases occurred in digital payments.

## Significant Rise in Bank Fraud Amounts Amid Fewer Cases

- In a surprising trend, data from the Reserve Bank of India (RBI) revealed that even as the number of reported bank fraud cases fell by over 34% in FY25, the monetary value involved surged nearly threefold.
- According to the **RBI’s Annual Report 2024-25**, the total amount involved in banking frauds rose from Rs. 12,230 crore in FY24 to Rs. 36,014 crore in FY25, an increase of 194%.
- The number of frauds dropped from 36,060 to 23,953 cases, suggesting enhanced detection or better internal control measures.

- However, this decrease in frequency was overshadowed by the steep rise in value, which exposed critical gaps in large-value transactions, especially in loan portfolios.

## Nature and Sectoral Distribution of Frauds

- Of the Rs. 36,014 crore frauds reported in FY25, **nearly Rs. 33,148 crore, over 92%, were related to advances, indicating persistent vulnerabilities in banks' lending practices**.
- These loan-related frauds often involve diversion of funds, overvaluation of collateral, and misrepresentation of financial statements by borrowers.
- In terms of number, the majority of cases were digital payment frauds involving cards and internet banking, totalling 13,516 cases.
- However, these only accounted for Rs. 520 crore of the total amount, indicating that although digital payment frauds are frequent, their value remains comparatively small.

## Public vs. Private Sector Bank Trends

- **Private sector banks accounted for the majority (59.4%) of the total fraud cases**, reporting 14,233 incidents.
- However, the maximum value of frauds was reported by public sector banks (PSBs), which accounted for Rs. 25,667 crore, or more than 71% of the total amount.
- This indicates that while private banks experience more frequent small-value frauds (mainly digital), PSBs continue to struggle with large-ticket loan frauds.
- The RBI observed that 122 old cases involving Rs. 18,674 crore were reclassified and reported afresh in FY25 after a Supreme Court judgment in March 2023 mandated stricter procedural compliance, leading to this statistical spike.

## Fraud Reporting Nuances and Legal Developments

- According to the RBI, frauds reported in a given year might have occurred in earlier years.
- The reported amounts do not necessarily represent final losses, as some sums may be recovered later.
- Moreover, a staggering Rs. 112,911 crore worth of 783 fraud cases were withdrawn by banks as of March 31, 2025, due to non-compliance with the principles of natural justice, as laid out by the Supreme Court.
- This legal correction emphasizes the necessity of procedural diligence and has implications for how fraud is reported and classified in banking.

## RBI's Strategic Measures to Mitigate Fraud

- Recognizing the gravity of the situation, the RBI has proposed multiple regulatory and supervisory interventions to mitigate fraud risks and improve operational resilience in the banking sector.
- **Enhanced Supervisory Framework**
  - RBI plans to strengthen supervision of private banks and small finance banks. Special attention will be given to operational resilience, especially for digital services, to ensure they remain robust under stress.

- **Liquidity Stress Testing**
  - To avert systemic crises, RBI is developing new cash-flow-based stress testing frameworks to assess the liquidity position of banks under extreme but plausible conditions.
  - These tests aim to ensure that banks maintain adequate buffers and can meet obligations during crises.
- **Digital Forensic Readiness and Monitoring**
  - RBI is working on a framework to monitor the uptime and resilience of digital banking services in near real time.
  - A dynamic online dashboard for customers will be rolled out in phases, offering analytics and transparency on service quality.
- **Fraud Risk Governance**
  - RBI is expected to tighten reporting mechanisms, requiring banks to adopt more robust internal controls, automated red flags for large advances, and regular audits for high-risk accounts.

## Government's Complementary Initiatives

- Alongside RBI, the Government of India has also taken steps to curb bank fraud:
  - **Central Fraud Registry (CFR):** The CFR, a searchable online database, helps banks track fraud history across financial institutions before sanctioning new loans.
  - **Fugitive Economic Offenders Act, 2018:** This allows for confiscation of assets of absconding defaulters like Nirav Modi and Vijay Mallya.
  - **Strengthening SFIO and ED:** The Serious Fraud Investigation Office (SFIO) and Enforcement Directorate (ED) are actively pursuing high-value fraud investigations.
  - **PSB Reforms:** Governance reforms and improved accountability mechanisms have been implemented across public sector banks to improve due diligence.

## Bank Fraud in India FY25 FAQs

**Q1.** What was the total value of bank frauds reported in FY25?

**Ans.** Bank frauds worth ₹36,014 crore were reported in FY25, nearly tripling from the previous year.

**Q2.** Which sector reported the highest number of fraud cases?

**Ans.** Private sector banks reported the highest number of fraud cases, accounting for over 59% of total cases.

**Q3.** Which category accounted for the highest value of bank frauds?

**Ans.** Advances or loan portfolios accounted for over 92% of the total fraud value in FY25.

**Q4.** What caused the sudden spike in fraud value despite fewer cases?

**Ans.** The reclassification and fresh reporting of 122 past cases amounting to ₹18,674 crore contributed to the surge.

**Q5.** What measures is RBI taking to reduce fraud in digital and loan sectors?

**Ans.** RBI is enhancing supervision, stress testing, digital monitoring, and forensic readiness to improve fraud detection and resilience.

**Source:** IE | TOI | BS

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