



How to combat financial frauds by the financial and tax literacy directorate of ICAI

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Abstract

As technology grows, financial fraud like phishing and identity theft has become a serious issue for both ordinary people and the economy. This paper looks at how the Financial and Tax Literacy Directorate of the ICAI (Institute of Chartered Accountants of India) is fighting back against these crimes. The Directorate's initiatives include public awareness campaigns, digital financial literacy programs, and specialized training for tax consultants and auditors to identify potential risks. The Directorate also uses practical tools to help, such as holding workshops in schools to teach financial basics and training tax experts to spot fake documents. It also teaches citizens how to use safe apps for banking and how to file taxes correctly. The study uses data to show how fraud is modifying. For example, in the year 2023-24, the number of fraud cases jumped by 166%, but the total money lost actually went down by nearly half. However, the trend shifted in 2024-25: while the number of cases dropped, the amount of money lost tripled to roughly ₹36,014 crore. The report highlights that "loan frauds" are the most dangerous, causing 92% of the financial loss, even though digital payment frauds happen more often. The data also shows that while private banks report more incidents, but it is the public sector banks losing much more money. To solve these problems, the paper suggests stricter laws, faster court trials, and a central help center for victims to report complaints quickly. The paper concludes that the best way to stop these crimes is to make sure every citizen is financially literate and alert.

Keywords: Financial fraud, financial literacy, icai (institute of chartered accountants of india), digitalization, public awareness, loan fraud and cyber security

Introduction

"Stop, Think, and Take Action" approach- The Indian Prime Minister Narendra Modi recommended this approach for citizens to combat digital financial scams and emphasized the importance of awareness against digital arrests.

With the advent of modern technologies like digitalization, the risk of financial fraud has become widespread. The rapid expansion of India's digital payment ecosystem driven by the JAM trinity (Jan Dhan, Aadhaar, Mobile) and Unified Payments Interface (UPI) has inadvertently expanded the attack surface for cybercriminals. From phishing to identity theft, these malpractices continuously threatening the financial security and integrity of both individuals and of financial system. Sensing such imminent danger and the gravity of the risk involved in this, the Financial and Tax Literacy Directorate of the Institute of Chartered Accountants of India (ICAI) has taken proactive steps to combat financial fraud through different instruments. Financial fraud occurs when someone intentionally lies during a financial process to benefit themselves. Offenders might fake documents, twist tax rules, or trick people who don't know much about finance. Such wrongdoing hurts victims directly, yet the wider economy suffers too.

Definition of Financial Frauds

Financial Fraud means involvement in deception in a financial transaction so that any person or any organization can make illegal and unauthorized gain and profit, resulting in the loss of money, property, or reputation of another party. It occurs when an individual or an entity misrepresents or manipulates financial information to obtain

an unlawful advantage. It lies in the domain of Section 447 of the Companies Act of 2013, which defines fraud as an act, omission, or concealment of a fact with the intention to deceive and gain an undue advantage.

With the advent of novel technologies, digitalisation, and modernization, these financial frauds became more serious and dangerous to humanity. The perpetrators exploit the trust and ignorance of common citizens, causing not only monetary loss but also damaging the integrity of the entire financial ecosystem. To effectively combat these crimes, it is essential to understand the various types of financial fraud prevalent in today's economy. Common types now prevalent in India includes

- **Phishing, Vishing, and Smishing:** In Phishing, a fraudulent email is sent to the victim. In Vishing, a fraudulent voice is sent to the victim to lure him and in Smishing, a fraudulent SMS is sent to lure the victim to obtain their OTP, passwords, and other financial data.
- **Loan App Scams:** There are illegal lending apps that offer loans for extremely high interest and resort to extortion and data theft and blackmail to trap borrowers.
- **Identity theft:** According to Section 66C of IT Act 2000, using someone else's digital signature or password without authorization constitutes identity theft.
- **Investment & Ponzi Schemes:** Fraudulent schemes promising unrealistically high returns that collapse when new recruitment stops.

With regards to the trust of ordinary people and their lack of knowledge, financially motivated crimes are even more dangerous as they, among other things, harm the entire economy. Because of this, we need to recognize and understand various types of financial fraud that exist within the modern economy to understand these crimes.

Role of the Financial And Tax Literacy Directorate

The ICAI established the Financial and Tax Literacy Directorate to create frameworks and mechanisms to promote financial and tax literacy across the nation. Its scope also includes the creation of a National Resource Centre aligned with the Centre's vision of inclusive growth. The Financial and Tax Literacy Directorate established by ICAI is to spread financial and tax literacy across the country through different instruments, as mentioned below

- **Public Awareness Campaigns:** To spread awareness among citizens, especially targeting those who were not so much aware of the financial nuances, by conducting workshops, seminars, and webinars frequently in schools, colleges, and community centres. A prime example is the "Financial Literacy Day", which features knowledge booths and expert talks to empower participants with financial planning skills.
- **Digital financial literacy:** By educating people about switching to safer and more secure online banking, recognising deceitful and unauthorised attempts, and using authenticated and safe sites and apps for banking businesses. This includes training on identifying secure URLs and understanding the importance of Two-Factor Authentication (2FA).
- **Tax education:** To make citizens aware of procedures relating to the filing of tax returns, detecting counterfeit financial claims, and understanding GST compliance. It also explains the dangers and risks associated with fraudulent schemes that promise fake high returns. The Directorate also releases "easy to read" e-books and guides in regional languages to bridge the knowledge gap.
- **Fraud Risk Training:** It explains the dangers of fraudulent schemes that promise fake high returns.
- **Professional Training:** It conducts specialized training for accountants, auditors, and tax consultants to help them identify potential dangers and risks arising from various technologies and ensure compliance with anti-fraud norms. This is critical as auditors act as the first line of defense in detecting corporate fraud.

Statistical Overview & Key Data

- According to the Reserve Bank of India (RBI) Annual Report for FY 2023-24 (ending March 2024) ^[2], Indian banks reported 36,075 fraud cases in that year — which was a jump of about 166% compared to the 13,564 cases in FY 2022-23.
- Interestingly however, while number of cases rose sharply, the amount involved fell: the amount of frauds in FY 2023-24 was around ₹13,930 crore, down ~46.7% from ~₹26,127 crore in FY 2022-23.

- The report noted that although private-sector banks reported more fraud cases, the larger amounts were with public sector banks (PSBs).
- For FY 2024-25 (ending March 2025) the RBI reported further data
- The number of fraud cases fell (to 23,953) compared to FY 2023-24, but the amount involved tripled to ~₹36,014 crore (from ~₹12,230 crore in the previous year).
- Of those, frauds in the "advances/loan" portfolio accounted for ~₹33,148 crore — i.e., ~92% of total fraud amount — although they made up only ~7,950 cases (i.e., ~33% of cases). Meanwhile digital payment (card/internet) frauds made up ~56.5% of the number of cases (13,516 cases) but only ~₹520 crore (~1.4%) of the amount.
- Private banks reported the highest number of fraud cases (14,233) but PSBs were responsible for ~71% of the total amount (₹25,667 crore) despite fewer cases (6,935).
- Looking at longer-term data: Over a 20-year period (2004-05 to 2023-24) the RBI data (via RTI) shows that there were about 8.41 lakh (841,000) cases of bank frauds in India, involving a total of ~₹5,66,507.77 crore (≈ ₹5.66 lakh crore) across that period.
- In the digital payments / card-internet fraud category: For FY 2024-25, the number of frauds reported was ~13,516 involving ~₹520 crore. This is a sharp drop from prior year (card/internet frauds in FY24 were ~29,082 cases involving ~₹1,457 crore) — indicating some success in mitigation.

Recommendations to Combat Financial Fraud

While the ICAI's efforts are commendable, there are still some lacunas and loopholes present that need to be solved by various other methods, as mentioned below

- **Stringent enforcement:** Stringent enforcement of anti-fraud laws and other necessary steps through faster investigations and trials, and their continuous monitoring. This involves invoking Section 447 of the Companies Act for corporate fraud and Sections 66C and 66D of the IT Act for cybercrimes to ensure swift prosecution.
- **Centralised grievance Redressal:** Establish a centralised grievance redressal mechanism for the quick resolution of complaints of the victims of fraud. This could be modelled on the "1930" helpline but with integrated banking support to freeze funds instantly.
- **Data privacy and Cybersecurity:** Promote data privacy and cybersecurity practices to safeguard personal and financial information and integrity. Banks must adopt AI and Machine Learning (ML) tools to better monitor and to identify any anomalies in their customers' transactions.
- **Continuous Education:** Regularly update citizens on new types of fraud and scams through mass media and social platforms. Research shows that financial literacy education is a proven "defensive mechanism" that helps the population to be more skeptical regarding improbable offers.

Conclusion

Financial Fraud is like a termite, which is making our financial structure hollow and vulnerable. It is causing damage to the structure in which the fraud is operating. It is damaging the structure psychologically as well. Offenders psychologically damage the structure by exploiting the ignorance and trust of victims to damage the structure as a whole. This "hollowing out" effect which is both financial and psychological is detrimental to the integrity of the entire financial ecosystem. When people lose their trust in a digital system because of fraud, the economy cannot be digitized completely.

The ICAI has emerged as a "ray of hope" in fighting against financial fraud by empowering citizens with knowledge and vigilance. ICAI has provided people knowledge from safe banking to tax compliance as a primary means to build a human firewall against cybercrime. A financially literate society is the best and sustainable defence against fraud. However, financial literacy alone is not enough to the future battle against financial malpractice, it requires a whole of ecosystem approach. Only by synchronizing strict legal enforcement with widespread public education can we build a resilient economic system where trust is the currency of any financial structure remains intact. Continuous efforts, collaboration, and awareness are the keys to combating such fraud and to building trust in the economic system and financial structure of our country.

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