Indian Economy · GS - III

Examine the role of consumer-centric safeguards and institutional accountability in preventing digital payment frauds.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 24/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Digital payments, Stop Switch, trusted approver, customer protection, banking accountability, cybersecurity, financial inclusion

Model Answer

Introduction

The rapid expansion of digital payments has improved financial inclusion and transaction efficiency but has also increased exposure to cyber fraud. Customer-controlled safeguards and stronger banking accountability are therefore essential for building trust in digital finance.

Role of Consumer-Centric Safeguards

1. **Emergency Transaction Control:** A Stop Switch can allow customers to temporarily block outgoing payments when suspicious activity is detected, limiting potential financial losses.

2. **Trusted Approver Mechanism:** Voluntary approval by a designated trusted person for high-value transfers can introduce an additional layer of verification.

3. **Channel-Specific Limits:** Customer-defined transaction limits can reduce exposure to unauthorised transfers through digital payment channels.

4. **Greater Consumer Awareness:** Easy-to-use security controls can encourage customers to monitor transactions and respond quickly to suspicious activity.

Importance of Institutional Accountability

1. **Banking Responsibility:** Stronger liability for negligence can incentivise banks to improve fraud detection, authentication and customer grievance redressal.

2. **Cybersecurity Infrastructure:** Banks must invest in real-time monitoring, secure authentication systems and rapid response mechanisms.

3. **Effective Grievance Redressal:** Timely reporting, investigation and resolution of disputed transactions are necessary to protect customers.

Challenges and Way Forward

1. **Operational Reliability:** Emergency blocking mechanisms must be accessible and function without unnecessary delays.

2. **Privacy and Consent:** Trusted-person arrangements should remain voluntary, with clear safeguards against misuse and unauthorised access.

3. **Digital Literacy:** Awareness campaigns should explain fraud reporting procedures and available security features.

4. **Regulatory Coordination:** Banks, payment service providers and regulators should coordinate to strengthen fraud prevention and information sharing.

Conclusion

Digital payment security requires shared responsibility between customers, banks and regulators. Combining accessible preventive tools with institutional accountability can strengthen public confidence in India's digital financial ecosystem.