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Research Article

Digital transaction - A vice or virtue for Present Generation?

Prasenjit Roy *

Triple MA, B. Ed, PG Diploma, Police Administration & Investigation
Dharmanagar, Tripura, India

Corresponding Author: *Prasenjit Roy

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Abstract

Cyber Financial Fraud is a matter of utmost concern in today's world. The matter needs to be addressed at all appropriate levels without delay to prevent losses of Govt and Private Finances. In this research article, the causes of the popularity of online transactions, its associated risks and possible solutions have been discussed in brief. The objective of this article is to raise awareness among people and law enforcement Authorities regarding the issue of Fraud in Online Transactions.

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1. INTRODUCTION

With the advent of smartphones and under the umbrella of the "Digital Age", India's consumers and businessmen participate in more and more digital transactions. From making payments to near and dears to paying for cigarettes in a shop, everywhere online payment is being given preference. It avoids carrying cash while going anywhere, and reduces risks of pick-pocketing or losing the cash. But on the contrary, without the knowledge of the user, all secret credentials are very vulnerable to reach to

the hands of cybercrime culprits and leading him to incur loss of all the savings he has made till now.

Indian street vendors, parking lot attendants, and all are using online payment methods in their daily life financial transactions. Even, it is very often circulated in social media that beggars with QR codes are taking digital payments, sometimes for as little as 05 or 10 Rupees. India is leading the global market in terms of its contribution to digital transactions/payments. This trend is being labelled as "growth

engine of tomorrow". The government is also encouraging the promotion of digital payments by giving various subsidies on online transactions, and various Govt departments are also using the tools of online payment while rendering Govt service to the common public.

Why Digital/online payment is so popular: We are living in the age of Digital supremacy. This online transaction is popular due to several reasons-

1. To avoid the issue of carrying cash: - People in modern life need to move from place to place for personal or official purposes. Now carrying cash at all times is not possible, because sometimes they need a huge amount of money. Carrying cash also attracts the risk of becoming prey to pick-pockets. Snatching can also take place with them, and in that case, they will lose everything while on tour. Hence, if they use online payments, their credentials are only known to the user. Hence, the above-mentioned problems can be avoided.

2. Expansion of banking services: - Earlier, a large portion of Indians did not have a bank account in their name. But under the flagship scheme of 'Jan Dhan Yojana,' all people have their own bank account. Again, all the nationalised banks have also widened their services for using their digital transaction applications such as PayTM, G-Pay, PhonePe, Yono, etc., anytime from anywhere.

3. Increasing demand for online purchases: The popularity of online shopping from various sources like Meesho, Myntra, Amazon, filipkart etc. is another factor for increasing the popularity of online payment. They offer items of various categories at lower rates than the common market rate. Various online platforms offer a subsidy/discount on the online payment, which is not available in the "Cash on delivery mode.

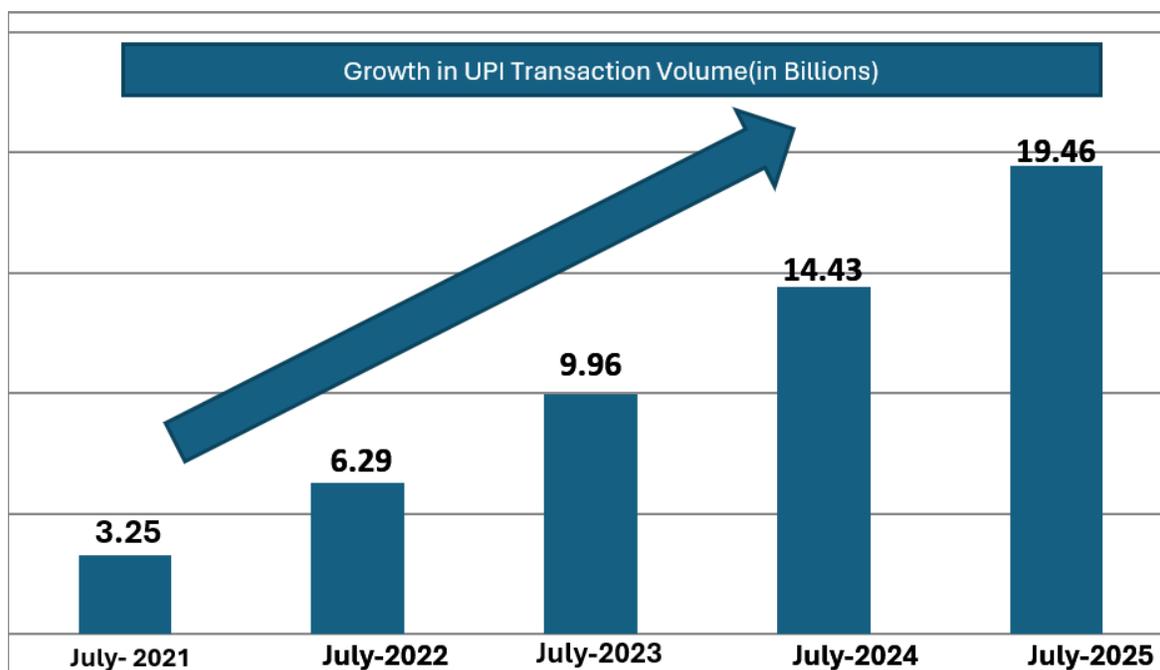
4. Avoid the problem of small changes: - While purchasing items from a shop with cash or while paying drivers the hiring charge for vehicles, people have to pay an extra charge for the non-availability of small change. Online payments can solve the issue, hence increasing the popularity of online payments among people.

5. Cashback and Rewards: - Many online payment systems offer cashback, rewards or discounts, etc., incentivising users to adopt online payments.

6. Availability and Faster Transactions: - Banks remain closed on holidays. Hence, its physical services cannot be utilised on those days. But its online payment services can be utilised anytime, anywhere - whether on a working day or a holiday. Moreover, Online payments are processed in real-time, reducing the time it takes for transactions to be completed using RTGS/NEFT/IMPS services.

Exponential growth in Digital transaction: In recent years, India has witnessed an unparalleled rise in digital transactions, marking a significant milestone in its journey towards becoming a cashless society. At the forefront of India's digital payment revolution is UPI. In addition to this, Immediate Payment Service (IMPS) and NETC FASTag have emerged as pivotal players, making financial transactions faster, more accessible, and secure.

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into an application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It has not only made financial transactions fast, secure, and effortless but also empowered individuals, small businesses, and merchants, driving the country's shift toward a cashless economy.



Source: National Payment Corporation of India (NPCI).

From the data, it is clearly seen that the amount of UPI transactions is growing steadily. This rise shows a broader cultural shift toward financial inclusivity, with UPI being a central pillar.

While UPI has dominated the mobile transaction space, IMPS has long been a trusted service for instant payments between accounts. Launched in 2010, Immediate Payment Service (IMPS) is a real-time, 24X7 electronic funds transfer service that facilitates quick transactions across banks and financial institutions. Recent data shows that IMPS transactions have surged, with 441 million transactions recorded in December 2024, compared to 407.92 million in November 2024.

Another important digital payment method that has grown in significance is the NETC FASTag. National Electronic Toll Collection (NETC) offers a seamless, cashless way to pay for tolls on national highways, eliminating the need for vehicles to stop at toll plazas. FASTag transactions grew in volume to 381.98 million in December, against 358.84 million in November.

Problems associated with Online Payments: - Online payments have several problems associated with them: -

1. Cyber Attack: - Online payment systems are vulnerable to cyber-attacks, which can result in privacy breaches and financial crises.

2. Card Skimming and Cloning: - Online payment systems can be vulnerable to card skimming and cloning, allowing malicious actors to steal sensitive information.

Skimming is a type of credit/debit/ATM/chip/SIM Card fraud in which a hand-held device called a skimmer is used to capture information contained in it. Data can be transferred onto a computer system later. Information present in the magnetic strip on the backside of the card can be used to create fake cards.

3. Phishing: Online payment users are also prone to Phishing. In Phishing, the cyber criminals use spoof emails or direct people to fake websites to deceive them into divulging personal financial details so that criminals can access their accounts.

4. Spoofing: It refers to a situation in which the incoming information from an attacker is masqueraded as one that appears to come from a trusted source to the recipient or to the recipient's network. Often, the messages from the fraudster appear to be from a genuine source (such as a bank) and seek personally identifiable information to perpetrate fraud on the victim.

5. Lack of Digital Literacy: In our country, like India, where the pressure of population is an undeniable fact, we are miles away from ensuring proper Digital literacy in appropriate level. People are using smartphones and also using digital payment methods, but they are not smart enough to avoid being victims of lucrative offers from fraudsters. In cases, due to greed or even out of fear and also for lack of proper literacy, they often share personal credentials with the cyber criminals.

6. Identity Theft: - It refers to the theft of sensitive identity information such as date of birth, name, PAN numbers, passport numbers, credit card numbers, and e-mail accounts for fraudulent purposes.

7. Pharming: - Pharming is a type of attack in which the user is deceived into entering sensitive data, such as PINs, credit card numbers or passwords, into a fake website, which impersonates a genuine website. It is different from Phishing in the way that the attacker does not need to rely on any of the URL or link. Instead, it redirects website traffic from a legitimate website to a fake one.

8. Data Breaches: - In Online transactions, data can be compromised in data breaches, putting users' personal and financial information at risk.

9. Malware and Viruses- Users' devices can be infected with Malware or viruses, which can compromise online transactions and steal sensitive information.

10. Technical problems: Technical issues, such as website errors or payment processing problems, can cause frustration and financial losses for users.

Data on losses incurred due to digital transactions: India's rapid adoption of digital payments has brought conveniences, but a surge in cyber fraud has also been witnessed due to this. With more transactions happening online, fraudulent activities have seen a sharp rise in recent years.

While the Reserve Bank of India (RBI) does not maintain a centralised database of cyber fraud cases, data from commercial banks and other financial institutions reveal a worrying trend.

The data on incurring financial loss (in crores) and the number of financial frauds from the FY 2014-15 to FY 2024-25 is produced below in tabular form: -

Data of loss incurred due to digital transactions

Financial Year	No. of Fraud Cases	Loss Value of loss incurred (Rupees in Crores)
2014-15	845	18.46
2015-16	1,191	26.9
2016-17	1,372	27.78
2017-18	2,058	79.79
2018-19	1,866	51.74
2019-20	2,677	44.22
2020-21	2,545	50.1
2021-22	3,596	80.33
2022-23	6,699	69.68
2023-24	29,082	177.05
2024-25	13,384	107.21

Available data shows that cases of fraud involving Rupees One Lakh and above have steadily increased over the years, with losses peaking in FY 2023-24 at Rupees 177.05 Crore. In contrast, the lowest recorded loss was Rupees 18.46 Crore in FY 2014-15, when only 845 fraud cases were reported.

Legal Provision Available for Online Financial Frauds: - Financial Frauds include business frauds, investment frauds, mass marketing frauds, overseas job offer business opportunity frauds, etc., where people are lured into the false promises of such opportunities and are deceived of their money and other valuables having monetary value. Several Provisions under IPC, ITAA 2008 and other applicable laws are there to penalise the criminals of financial fraud: -

- I. **Section 318** of the Bharatiya Nyaya Sanhita (BNS) primarily deals with the crime of Cheating, which includes financial fraud.
 - II. **Section 336** of BNS addresses offences related to cybercrime, such as making false electronic records and other cyber frauds, which can also involve financial fraud.
 - III. **Section 66C, 66D of ITAA, 2008** deal with the crime of Identity theft.
 - IV. **Section 66C, 66D of ITAA, 2008** deals with the crimes of spoofing, and Pharming, etc
 - V. **Section 66C of ITAA, 2008** deals with the issues related to Skimming etc.
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Possible Solutions: - Some possible solutions are discussed below-

1. Spread of Digital Literacy from School level: - To cope with the rising need of Cyber awareness in today's world, "Digital Literacy" has to be incorporated in the school curriculum as a mandatory subject. It will help the future generation to have a clear idea of Cyber Frauds, etc., and with their help, spreading awareness among their family members is also possible.

2. Awareness Programs: - Awareness programs on Cyber Crimes to be organised by the government authorities, involving people from various strata of society on this topic, in such a way that common people also have the scope to share their personal experiences regarding the matter in front of all. It will help them to catch the attention of all persons participating in such programmes. Govt may also keep a provision for some incentives, in any suitable form, for all the participants to ensure greater participation.

3. Strict Penal Provision- A strict penal provision has to be ensured by the prosecution for the Cyber Crime offenders, so that others don't indulge in such activities, etc.

From the analysis, it can be concluded that to keep pace with modern-day life and circumstances, the importance of digital transactions cannot be overlooked. However, the main concern here is to raise Digital Literacy and awareness among people regarding the use of Digital transaction methods to check the fraudulent activities and save people from being victims of online fraud. Some basic safety rules, such as keeping unique and complex passwords, using 2 factor authentication, not using credentials with anyone, etc., practices may be nurtured by the common people through proper awareness.

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About the corresponding author



Prasenjit Roy holds Triple M.A. degrees, a B.Ed., and a Postgraduate Diploma in Police Administration & Investigation. Based in Dharmanagar, Tripura, India, he possesses multidisciplinary expertise in education and criminal justice studies. His academic interests include law enforcement systems, public administration, and contemporary socio-legal issues.