

DIFFERENT MEASURES FOR DETECTING AND PREVENTING CREDIT CARD FRAUDS

There are different key measures, which are used for detecting and preventing credit card frauds. Some of them are as follows:

1. Address Verification Service (AVS): This technique matches the cardholders' billing address and ZIP code information given for delivering the purchases against the bank record. This system is available in the USA and in a few countries of Europe. However, this technique has different weaknesses i.e. the address information is available online; it makes the bankers work boring in preventing the fraud; it cannot check the entire informational card. Only American Express bank has the facility to check all the international frauds through its AVVS system.

2. Credit Verification Values (CVV): This technology checks 3-4 digit number embossed codes on credit card. This technology has advantage that it requires physical possession of card but this advantage can be nullified by phasing. It also cannot protect the merchant from transactions placed on physically stolen cards.

3. Negative Databases: This technology checks the order against fraud attempts.

4. Fraud Rates: This technology checks for recognized patterns associated with the fraud. It carries the advantage that it is easy to configure and understand, but the disadvantage is that in case the fraud patterns are changed. A new fraud pattern may not be recognized.

5. Relocation: This technology checks the consumers' geographic location based on IP addresses. It is advantageous as it can block or flag orders originating from high-risk countries. However, negative aspect is non-applicability on IP proxies and satellite.

6. 3D-Secure: This technology works on the principle of authenticating the consumer via previously established password. The positive side of this system is that the fraudster needs legitimate cardholders' password to complete the transaction. However, this advantage can also be neglected as the passwords can be hacked.

7. Chip and PIN: The smart cards introduced to prevent credit card fraud by using this technology. The credit card has an encrypted EMV chip storing all information and a PIN instead of a signature, which are used to prove that you are the genuine cardholder. Thus, this technique minimizes fraud.

8. Biometrics: This is the most recent and sophisticated technology to prevent credit card frauds. It records a unique characteristic of the cardholder like fingerprints, voice, signature, iris, and other similar biological components so that a computer can read it. Then the computer compares the stored characteristics with that person who presents the card for ensuring that he/she is the legitimate cardholder. Negative aspect of this technology is that it carries additional costs and customers are still reluctant to accept it.

9. Expertise: A team, having the responsibility of managing the infrastructure, handling over verification, processing of charge back, analyzing the transactions, etc., is required to ensure that the technology is well managed.

10. Collaboration: The whole industry has to work in collaboration to prevent fraud. This is the right time when a united group is required to combat fraud and safeguard the business.

CONCLUSION

Although credit card frauds are found in large number in some major economies like the UK, Malaysia, Japan, Taiwan, Australia, and Hongkong as compared to India, because credit card industry in India is still in its nascent stage and cards have low credit limits. Of all the credit cards issued in India, 80-85% cards are active which is equal to 3-4 times smaller than Malaysia, which is on credit card fraud list.

Although, the incidences of fraud in India are less, the RBI has advised the banks to establish the internal control system to check the credit card frauds within certain limits, and to strengthen their appraisal system.
