

Mitigating Internal Control Weaknesses & Fraudulent Risk in Core Banking System: A Qualitative Study at Bank of Maharashtra

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Abstract: India's rapid banking digitization through initiatives such as Digital India and UPI has increased public sector banks' dependence on Core Banking Systems (CBS). At the Bank of Maharashtra, this shift has exposed internal control weaknesses that fraudsters exploit using mule accounts for money laundering. Based on interviews with 15 banking staff members, this qualitative study identifies operational gaps that enable fraud networks. This sometimes results in account freezing, affecting genuine customers. While RBI guidelines provide a regulatory framework, execution challenges remain. This study analyzes the responses and recommends stronger real-time monitoring, improved video KYC, better inter-bank coordination, and greater customer awareness to enhance system security in banking transactions and account management.

Keywords: Core Banking System (CBS), Internal Controls, Fraud Risk Management, Mule Accounts, KYC Weaknesses

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