

Legal Perspective of E-Banking Fraud in India

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ABSTRACT: The financial industry plays a critical part in a country's economic growth. An economy's lifeblood is banking. For economic progress, a robust and healthy financial sector is essential. Indian the banking sector is now undergoing an IT revolution. The process of implementation. The use of the internet in banking has revolutionized the industry. It has been successful. Both customers and banks profited from it. In India, e-banking has grown in popularity. Several changes have occurred as a result of technological advancements and innovation. The arrival of the card, Immediate Payment Service, Clear The notion of internet banking and mobile banking, as well as the transfer of funds, are the There have been a number of changes in the banking industry. E-banking is a term that encompasses a variety of services. Online shopping, fund transfer, and mobile banking are all included in this phrase etc. The bank hopes to teach the basic notion of IT via E-Banking. Included Services that are based on the Internet. System of conventional banking it is more convenient for consumers to make debit payments.as well as credit several of the factors why e-banking is gaining popularity in India is because People's use of the internet is becoming more widespread. Because of the many benefits, electronic banking is becoming more popular. It is linked to it. However, it has raised certain concerns and obstacles. In terms of cybercrime, such as data theft, phishing, and credit card fraud, this paper attempts to provide an overview of electronic banking.in India, as well as the many concerns and challenges that the banking sector faces.

KEYWORDS: Banking, Consumers, Fraud, Fund, Payment.

I. INTRODUCTION

Searches, social networks, and even more complex behaviors, such as online purchasing and banking, are being used by Indians in current era. A digital revolution is taking place in India. Already, 70% of urban customers are digitally driven when it comes to financial product transactions, which means they utilize at least one digital platform throughout purchase process of a financial product. According to a survey prepared by "Facebook" and "The Boston Consulting Group", the number of customers choosing online banking in India is expected to double by 2020, reaching 150 million from present 45

million active urban internet banking consumers in India (BCG) [1]–[4].

The banking sector continues to play an important part in every country's economy. It is crucial since it meets credit demands of all sectors of society. India's solid financial system is key to country's economic potential. The use of IT in banking industry has changed the manner in which the industry operates. To survive in today's globalized world, banks have no choice but to adopt this new upgrade. Today, you may do some banking while sipping coffee or making a large call. ATMs are located just outside your door. In our wallet, we have more plastic cards than cash. Internet banking, often known as E-banking, is a phrase that refers to and encompasses whole spectrum of financial industry innovation. Internet banking is a word that refers to delivery of banking services and products over electronic channels such as phones, mobile phones, and Internet. Thus according Barron's Thesaurus, "a kind of banking in which assets are swapped by a trade of electrical currents around money related foundations, rather through swapping of dollars, cheque, as well as other problematic intermediaries". Several years ago, when a customer sought to open a ledger, he or she had to be present at bank's various locations. Individuals have an individual's affinity with traditional finance. Traditional banks have a number of drawbacks, including a fixed schedule, poorly organized spaces, and limited monetary item offerings. Connecting to a current account is most straightforward way to start a sparing account in online banking. Only a "tick" is required to conclude a business transaction. There were no shouting exchanges and no long line-ups at the desk. customers may handle any records from comfort of their own homes. As opposed to Internet banking, Internet banking is more beneficial since it provides banking administration and with higher adaptability. Electronic commerce has reached a worldwide stage as a result of the fast growth of global information infrastructure over the last several decades, particularly in the fields of artificial intelligence and machine learning (telecommunications systems and the Internet).These advancements have made it easier for businesspeople to communicate effectively with one another. E-commerce is a platform that combines data management, marketing, and sales. To guarantee a successful interchange of information, connectivity and security services are required to meet consumers' expectations and gain a competitive edge amongst business partners In the banking industry, like in most

other domains of business, CT is utilized to give value-added support and maintenance to clients. Their e-banking technology guarantees that transactions are completed quickly and efficiently. Communications behind them and their clients, allowing for the provision of a wide range of services relating to customers. Electronic banking, internet banking, and e-banking are all terms used to describe e-banking. Or virtual banking, and despite the fact that there are different designations in the literature, they all refer to the same thing. In the direction of ICT-based banking transactions. The term "e-banking" relates to the provision of banking services through the internet services from anywhere outside the bank's facilities. However, as expected, e-banking comes with a slew of issues that aren't only technical [5]–[9].

Connected to bank management, as well as international and national supervision and regulatory body's authority in charge of regulation, the main problem with e-banking is that it has become more popular. Transnational operations on its infrastructure, as well as a substantial reliance on information and communication technology (ICT) to deliver services provided by banks. Other difficulties arise as a result of the Regularity, legality, operational efficiency, reputational risk, inconvenience, and security concerns are all factors to consider. The most pressing issue confronting most financial organizations is how to build a safe and secure ICT environment. Because the environment influences the security of the digital payment with the growing number of everyday online financial transactions throughout the world, banks must adapt. As many experienced hackers continue to manipulate online, fraudsters and information security are on the rise. To get access to personal and company accounts, hackers used financial information systems. Threats of this kind may be devastating. Comes from many within the institution, necessitating the involvement of bank managers. Must set up necessary safeguards to protect the data of their consumers, as well as maintaining the security of the internet banking.

A. Accents of E-Banking

- The Internet is used to perform banking transactions.
- Because customers may be supplied in a variety of jurisdictions, this removes normal geographic restrictions.
- E-banking improves bank transactions at all hours of day and night, including holidays and Sundays.
- It is grounded on scientific knowledge, which allows banks and corporations and customers should save extra time via using pcs.

B. E-Banking Economically Beneficial

a. Comfort

This is by far the most important benefit, outweighing any disadvantage of e-Banking. Making trades and instalments at touch of a button without leaving comfort of home or workplace is an office that no one would want to forsake. When compared to going to bank for same thing, monitoring accounts over Internet is faster and more convenient. Indeed, even non-value-based services such as getting cheque books through Internet, renewing records, querying about loan costs for various monetary products, and so on have gotten a lot easier.

C. Improved Rates

Banks will continue to benefit from use of Internet banking since it requires less physical effort on their part. The need for larger office facilities and additional people to handle customers is effectively eliminated, resulting in a financial advantage for banks. This means that a portion of collected investment money may be distributed to customers in form of greater retail rates and reduced credit rates. To encourage Internet banking, most banks provide online banking with few or no storefronts and reduced penalties for early withdrawal of FD(s).

D. Administrations

Technology has made it extremely convenient for both bank and consumer to have access to a wide number of fantastic administrations just by logging in. "Budgetary planning capabilities, helpful some of the administrations available as basic apps on bank's website. Furthermore, most banks provide access to online tax papers and assessment preparedness [10]–[13].

E. Versatility

E-banking has advanced in recent years as portable it, which provides clients with unrestricted mobility and allows them to conduct financial transactions even while traveling.

F. Good working order

Another key benefit of the concept is that it is beneficial to environment since it reduces use of paper, reduces pollution because people do not need to go physically, and doesn't involve discharges. However, present trend of only using internet medium to conduct a broad variety of transactions has a few of entanglements that might prove costly in the long run unless they are anticipated from outset.

G. Online banking a boon or a negative for economy:

a. Connections

Online exchanges have a detrimental impact on the investor connection that a traditional visit to the branch office used to foster. A personal connection with bank employees is advantageous when requesting a faster advance approval or exceptional assistance that may not be available to the general public. The chief has a variety of discretionary capabilities, such as deferring reformatory intrigue or administrative charges, which were regularly used by superior staff companions. Furthermore, having a close relationship with the investor suggested that the investor would provide basic financial advice and information to the customer.

b. Transactions That Are Complicated

There are several complex interactions that can't be combed through without an in-person chat with supervisor, which is impossible to do with e-banking. Explicit concerns and objections need an actual visit to the bank, which isn't possible over Internet. To assistance in the handling of a range of unanticipated supporting difficulties, digital learning is indeed unambiguous nor probe. Certain administrations, such as authorization and bank signature assurance, aren't possible to develop via Internet.

c. Security

This is most common Internet banking trap, which average customer should be aware of. Despite a plethora of sophisticated encryption software designed to protect your data, there is always a risk of hacking by sophisticated components in digital world. On internet, programmer attacks, phishing, malware, and other unwanted behaviours are commonplace. Fraud is another major source of concern for those who rely only on online banking [13]–[16].

d. The legal structure that governs online banking

E-banking is just accounting via digital means; it is not a separate sector. Under the RBI Act, the RBI is in control of banking. The Authorizing Law for Electronic Reporting

is included in the IT Act of 2000, as revised by the IT Act of 2008. E-banking is governed by a number of statutory provisions which really applicable to conventional financial transactions. In any case, this does not solve a number of challenges, requiring the introduction of more stringent rules and recommendations, particularly for e-banking concerns. The Banking Regulation Act of 1949, the RBI Act of 1934, and the Financial Emergency Management Act of 1999 as well as proof acts and contract acts, comprise legal structure of Indian financial system. Figure 1 illustrated the history of banking in India.

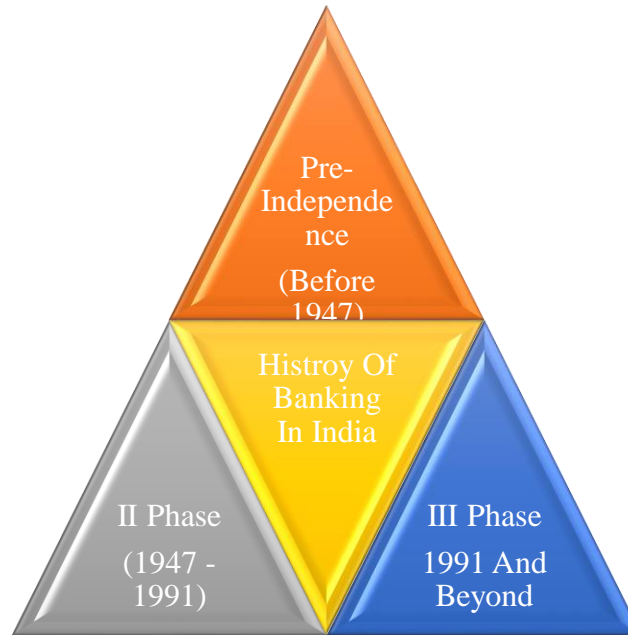


Figure 1: Illustrated the History of Banking in India

II. DISCUSSION

The IT Act of 2000 attempted to solve a variety of internet company management challenges. However, there is not a foggy condition that hasn't been well spelled out, nor have any practical techniques of application been advocated by constitutional authorities. In 1996, ICICI Bank became the first bank to provide online banking, followed by a slew of other financial institutions. In any case, for Internet in general, 1996 to 1998 marked acceptance stage, with use increasing significantly in 1999, owing to decreasing "ISP online prices, increased PC penetration, and a tech-friendly climate". In any event, PSUs have lagged behind in adoption of Internet banking practices. The SBI has taken lead among PSUs in this regards. Following IT Act, 2000 notice of 17 Oct 2000, the RBI established "The "SR. Mittal Working Group" was formed to draft Internet Regulation, it resulted in the RBI issuing "Internet Banking Guidelines 2001" on June 14, 2001. Those who seek to offer e-banking services must obtain licenses, which must

Be granted on a case-by-case basis. The main focus of the recommendations is on:

- Concerns about law
- Issues of enforcing and supervising.

In 2005, the RBI issued a new circular, relating to above-mentioned recommendations. The issue has also been examined, and businesses have really been advised to take efforts to remedy present legal concerns in the Indian conceptual view. Under terms of aforementioned circular, no explicit permission from RBI is necessary to provide Internet Banking Services. The following are additional recommendations given in circular:

- The Institution's Board of Directors adopted the Internet Banking Policy, which is consistent with the bank's overall IT standards and ensures the secrecy of technology and privacy technologies.
- Operational risk is included into the strategy.
- This same policy explains the "Understanding Your Audience" criteria in great depth.
- Approaches are routinely used to meet circular criteria. Figure 2 embellished the different function of the bank in India [17]–[20].



Figure 2: Illustrated The Different Function Of The Bank In India.

Sec 3(2) of IT Act, 2000 allows for a particular invention to be used as a means for validating e-documents. This has created questions about whether present tactics used by banks are considered significant verification approaches under law. In addition, Sec "Whereby the government dictates that records as well as other matters be established in paper version, type (e.g., or printed structure, such obligation shall be construed to already be met if such personal information or matter is substantiated in hard copy, printed on paper, or hardcopy form, such provision shall be determined to have been accomplished if such records or matter is substantiated in hard copy, printed on paper, or circuit boards (pcbs form, such demand shall be considered too of been achieved if such data rather than substance is substantiated in hard so recorded, regardless of what the law says. In an electronic structure provided or made accessible; and Open so that it may be used as a reference in the future." Furthermore, the demonstration provides for penalty for a breach of security and privacy u/s 72, and Sec 79 has also provided for restriction of system specialist co-liability opts for information passing via their system under certain situations. Later, in 2008, the IT Act, 2000 was amended to make substantial changes.

On April 29, 2011, the "G Gopala Krishna Working Group on E-Banking Security" issued a report that made considerable progress, describing current administrative criteria as an expansion of IBG 2001. In addition, "the Publishing Subcommittee on Client Satisfaction (August 2011)" and "the Capital Markets and services act meeting (September 2011)" gave further technical guidelines regarding E-Banking standards.

Sec 40A (3) of IT Act of 1961, which governs deductible expenses, states that in cases where amount exceeds Rs. 20,000/-, the benefit of abovementioned Section is only available if instalment is written. One of the services provided by banks that provide Internet banking is online transfer of funds between accounts where cheques aren't used, in which case the aforesaid benefit will not be available to customers. The main goal of Sec 40 A is to prevent tax evasion by requiring payments to be made to allocated records. The exchange of assets occurs only between recognized records when using a supported move, which serves the same purpose as a crossed check or a crossed bank draft. Figure 3 Illustrated the Different Type of Banks in India [21]–[25].



Figure 3: Illustrated the Different Type of Banks in India

III. CONCLUSION

Indian bank customers are still apprehensive to use Internet banking. Understanding motivation behind this rejection can aid bank executives in developing strategies for growing online banking adoption. Wrongdoing based on e-crimes will surely rise, and authorities will have to go an extra mile in order to keep fraudsters under control. Innovation is always a double-edged sword that may be used for both fortunate and terrible causes. The IT Act of 2000 was created with goal of providing formal recognition for exchanges by means of electronic information commerce ... other internet business tactics, according to the introduction. The "Indian Penal Code 1860, the Indian Evidence Act 1872, the Bankers Books of Evidence Act 1891, and the Reserve Bank of India Act 1934" are the laws that govern the country. Have all been amended as a result to encourage lawful recognition and rules for economic activities. Despite that the Act's objective isn't to hinder business, it has defined specific crimes and sanctions to address such exclusions, which are seen to be highly similar to digital wrongdoings. Client security is still a big concern when using e-banking services, which existing legislation doesn't adequately address. Because of lack of clarity, the challenges in applying arrangements before the courts have been frustrating. All parties, notably Indian banks, must pay further attention to real challenges of Internet banking in India. However, improved results will not be achieved until digital security requirements for Indian banks are made mandatory.

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