
THREATS TO THE RIGHTS OF CONSUMERS IN E-BANKING IN INDIA

Eesha Pasekar, Modern Law College, Pune

ABSTRACT

The Web Revolution, one of the most significant events in human history, occurred in India over the past ten years. The way in which business is conducted in practically all organisations has altered as a result of the fast growing use of the web, the Internet, intranets, and extranets, as well as e-business or e-commerce and mobile commerce. The lines dividing conventional financial intermediaries like commercial banks, investment banks, and specialised finance corporations are becoming less clear as a result of technological innovation. The emergence of e-Business, together with technical advancements and globalisation, is driving organisations to redefine their business processes in terms of value chain reengineering and business model restructuring. Most likely, the forces of competition, regulation, and technology are transforming the financial sector. Financial institutions, particularly the banking industry, are currently going through a change. The financial sector, which is essential to the health of any nation's economy, is operated by banks. One of the oldest industries in the world is banking. The global revolution in information technology has not completely excluded the Indian banking sector from the action. The so-called "web revolution" has caused significant changes in the banking sector in India. All financial activities are conducted via computers and other electronic means in the modern computer world. The banks have established themselves on the World Wide Web to benefit from its strength and reach while adjusting to the business environment's swiftly changing dynamics. 'PC banking', 'online banking', 'Internet banking', 'Telephone-banking', or 'Mobile banking' are all terms used to refer to electronic banking. E-banking is a phrase that can be used to describe all of these electronic banking methods. This research report emphasises how, while online banking has made people's life incredibly simple on the one hand, it is still not completely free from risks and threats. The risks to consumers of online banking have been emphasised in this research paper.

Keywords: E-Commerce, E-Banking, Threats in E-Banking

Introduction

“Our Age of Anxiety is, in great part, the result of trying to do today’s job with yesterday’s tools- with yesterday’s concepts”

- M. McLuhan

This sentence captures the predicament of many corporate entities in the new millennium.¹ The human evolutionary trail shows that there have been numerous technological revolutions during the new millennium. A new revolution, known as the Web (Network) Revolution, has emerged in the second decade of the new millennium. It connects many regions of the world, allowing for the smooth transfer of information.² Business practises have altered as a result of the World Wide Web, Internet, Intranet and Extranets, e-business, e-commerce, and mobile commerce's rapidly expanding use. Globalisation, technical advancements, and the emergence of the digital age are driving organisations to rethink their company operations in terms of value chain reengineering and business model restructuring. Most likely, due to the influence of competitive, governmental, and technical forces, the economy is undergoing a metamorphosis.³ Virtually every aspect of trading has been moved into cyberspace as a result of the "e-Revolution," which has given rise to the "Digital Economy." The electronic economy A digital economy is one that is based on digital technologies such as computers, software, and other related information technologies as well as digital communication networks (such as the Internet, Intranet, and private value-added networks, or VANs). The phrase "digital technology" also describes how computing and communication technologies have converged on the Internet and other networks, as well as the information and technological flow that has resulted, which is promoting e-commerce and significant organisational transformation.⁴

Peter Drucker, a management guru, said: "The genuinely revolutionary impact of the Internet Revolution is just now being felt. However, this impact is not fueled by "information". "Artificial intelligence" is not what it is. It has nothing to do with how computers and data

¹ M.A.K. Prabhu, “Banking in the New Millennium”, in S.B. Verma, S.K. Gupta and M.K. Sharma (edited), E-Banking and Development of Banks, Deep & Deep Publications Pvt. Ltd., 2007, pp. 201-205, p. 201.

² Henry Chan, Raymond Lee and Tharam Dillon and Elizabeth Chang, E-Commerce: Fundamentals and Applications, John Wiley & Sons Ltd., Chichester, 2002, pp. xix-xx

³ Efraim Turban, Dorothy Leinder, Ephraim Mclean and James Wetherbe, Information Technology for Management: Transforming Organizations in the Digital Economy, John Wiley & Sons, Inc., Asia, NJ, p. iii

⁴ E. Brynolfson, et.al., “Consumer Surplus in the Digital Economy: Estimating the Value of Increased Product Variety at Online Book-sellers”, Management Science, 49 (11), 2003, p.15.

processing affect strategy, policy, or decision-making. E-commerce, or the rise of the Internet as a significant, global distribution channel for goods, services, and, shockingly, managerial and professional employment, is something that virtually no one predicted or, in fact, even discussed ten or fifteen years ago. The economy, markets, industrial structure, the flow of goods and services, consumer segmentation, consumer values, consumer behaviour, jobs, and labour markets are all being significantly affected by this. However, the effects on societies and politics could be considerably more significant.⁵

Internet is the engine and e-commerce is the fuel of a digital economy. E-commerce is the cutting edge of business today. E-commerce is a phrase made well-known by the appearance of commercial Internet services. However, the whole domain of e-commerce is far larger than just internet e-commerce.⁶ The emergence of E-Business, together with technology advancements and globalisation, is driving organisations to redefine their business processes in terms of value chain reengineering and business model restructuring. The foundation of an economy is thought to be its financial system. The financial sector is likely undergoing a metamorphosis as a result of competitive, governmental, and technological influences. Financial institutions, particularly the banking industry, are currently going through a change. Under the aegis of the "Web Revolution," the whole banking sector has undergone significant changes in India as well.⁷

The E-Banking Sector as a Driver of the E-Commerce Sector

The financial sector, which is essential to the health of any nation's economy, is operated by banks. One of the oldest industries in the world is banking. Around 4000 years ago, cities like Babylon, Mesopotamia, and Egypt developed banking. The banking sector has undergone a transformation as a result of the introduction of paper money as a means of exchange. Cheques were widely used by 1600 A.D., and banks began using telegraph technology in the middle of the 1990s to instantly "wire" money from one location to another.⁸ There have been three different payment eras: the age of notes and coins, the age of paper money, and the age of

⁵ Peter F. Drucker, *Managing in the Next Society*, Truman Talley Books, New York, 2002, pp. 3 - 4.

⁶ Daniel Amor, *The E-Business (R) Evolution: Living and Working in an Interconnected World*, Prentice Hall PTR, Upper Saddle River, NJ, 2000, p. 11.

⁷ N. Subramani, M. Murugesan, D. Anbalagan and V. Ganesan, *E-Banking and E-Commerce: Emerging Issues in India*, Abhijeet Publications, Delhi, 2008, pp. 307- 308

⁸ S.B. Verma, S.K. Gupta and M.K. Sharma (edited), *E-Banking and Development of Banks*, Deep & Deep Publications Pvt. Ltd., 2007, Preface.

electronic money. In addition to offering an ever-growing selection of electronic payment options, new technology has had a significant impact on how banks work in general.⁹

E-banking is the word used to describe the process of doing banking operations using information technology. It refers to providing bank services via electronic technology to a client at their place of business or residence. A new global reality called e-commerce has a big impact on banking. It includes the three components of a sales contract—offer, acceptance, and movement of consideration. In essence, banking is involved in the transaction when money is paid as one of the legs. ECommerce is now regarded as having the biggest global commercial window. It has brought about a paradigm shift in the way that business and banking operate.¹⁰

The global revolution in information technology has not completely excluded the Indian banking sector from the action.¹¹ There are four main ways that technology has been applied in banking¹²:

1. To manage a significantly larger consumer base.
2. To significantly lower the true cost of handling payments
3. To free banks from the historical limitations of space and time.
4. To launch fresh goods and services

Applying electronic technology to every banking transaction has become possible thanks to the availability of communication networks like the Indian Financial Network (INFINET), which uses V-SAT satellite technology, the Optical Fibre Network, and other terrestrial lines dedicated to the Indian Financial Sector.¹³ The development of e-commerce is heavily dependent on the payment system. Design, management, and regulation of electronic payment systems are increasingly at the centre of policy discussions in India. With the advent of new instruments like Credit Cards, Telebanking, ATMs, Retail Electronic Funds Transfer (EFT),

⁹ Patrick Frazer, *Plastic and Electronic Money*, Woodhead-Faulker, Cambridge, USA, 1985, p.3.

¹⁰ S. Ganesh, *Electronic Commerce: Applications in Banking*, in S.B. Verma, S.K. Gupta and M.K. Sharma (edited), p. 27.

¹¹ R. P. Nainta, *Banking System, Frauds and Legal Control*, Deep & Deep Publications Pvt. Ltd., New Delhi, 2005, p. 154.

¹² S.S. Kaptan and N.S. Choubey, *Indian Banking in Electronic Era*, Sarup & Sons, New Delhi, 2003, p. 91.

¹³ S.S. Kaptan and N.S. Choubey, p. 91.

and Electronic Clearing Services (ECS), the necessity of creating an efficient, quick, and effective payment system is becoming more acute.

Smart Cards, Debit Cards, and Financial Data Interchange are becoming more and more prevalent in our Indian economy for straight through processing.¹⁴ The term "money" has been stretched to a new extreme thanks to e-banking, or "e-cash."

Important characteristics of electronic banking

The Indian Banking Companies Act of 1949 states that a "banking company" is one that "transacts the business of banking," which includes accepting public deposits of money for the purpose of lending or investing that money and making those deposits repayable on demand or in another way as well as withdrawable by cheque, draught and order or in another way.¹⁵ A banker is someone who, in the normal course of his business, honours checks drawn up to him by those from and for whom he gets money on current account, according to H.L.A. Hart.¹⁶ The core component of physical banking has not changed. The whole financial sector is now virtual thanks to cyberspace. People can access cyberspace in general and the Internet in particular through a wide range of channels. The Internet is a vast network that connects countless smaller clusters of interconnected computer networks and is not a physical or material entity¹⁷. The banking industry has been compelled by the e-revolution to rethink, adapt, and upgrade its goods and services as needed. Most of the advantages of electronic banking are valued by customers or consumers, including: (1) Anywhere Banking—no matter where the customer is in the world. One click can access online banking, balance inquiries, services requests, and instructions; (2) Anytime Banking: There is no longer a time limit. It is available 24 hours a day, 7 days per week; (3) Time, location, and cost-effective; (4) Cash withdrawal from any branch through an ATM; (5) Lowers the customer's cost of banking; (6) Online shopping with the help of an online payment; (7) There are no geographical restrictions because e-banking offers an unrestricted network to all locations. Customers can access financial services using any computer with a modem and a phone with an internet connection; also, e-

¹⁴ T.K. Velayudham, "Developing in Indian Banking: Past, Present and Future", Bank Quest, Vol. 73, No. 4, Oct.-Dec., 2002, p. 90.

¹⁵ Definition According to Indian Banking Companies Act, 1949

¹⁶ Niti Soni and Vandana Gautam, Banking Theory and Practice, Sharma Publications, Jalandhar, 2009, p.14.

¹⁷ American Civil Liberties Union et.al, vs. Janet Reno, Attorney General of the United States 929 F Supp. 824 (1996) in Yen Fen Lim, Cyber Space Law: Commentaries and Material, Oxford University Press, 2007, New Delhi, p. 4.

commerce and e-banking have increased transaction transparency.¹⁸ Customers can use e-banking to open accounts, pay bills, view account balances, apply for loans, calculate interest, view and print copies of cheques and deposits, report exceptions on overdrawn accounts, transfer funds, stop payments, reorder cheque books and statements, and receive news about the banking sector. They can also send and receive email messages to/from the bank. To help new or potential clients, it also includes an online training system and demonstration system.¹⁹

E-banking threats

Computer crime has a long history that predates the invention of the computer. Any new innovation or invention has the potential to be both beneficial and harmful. Some people use computers for harmful, immoral, or criminal purposes, despite the fact that the majority of people use them for constructive, moral, and legal purposes. A fraud that involves the use of a computer is referred to as a "computer crime". Three broad categories of computer crimes exist:²⁰ Data-related offences, software-related offences, and physical offences are listed in order.

The Internet ecosystem offers a very simple environment for computer users to engage in unlawful activities. Cybercrimes, or crimes committed online, are what these are. Recently, the phrase "cyber crime" has gained use to describe a variety of online security risks. All actions taken online or in cyberspace with the intention of committing a crime are referred to as cybercrime. These could either be traditional criminal activity or activity that has developed as a result of the development of the new medium. Cybercrimes can simply involve any behaviour that offends people's sensibilities.²¹ Innovative criminals employ hundreds of various strategies and "tricks" to steal money from helpless victims, purchase goods without paying for them, sell them without delivering them, abuse victims, and do many other things. The global availability of the Internet has also led to an increase in international fraud. Implementing E-Commerce using E-Banking presents a number of challenges that must be resolved.

Security Concerns:

With the aid of the Internet, financial crimes in the e-banking sector are growing every day.

¹⁸ S.S. Kaptan and N.S. Choubey, pp. 145-147

¹⁹ P.V. Palsokar, "Electronic Banking" in S.B.Verma, S.K. Gupta and M.K. Sharma (edited), p. 6.

²⁰ R.P.Nainta, pp. 59-60.

²¹ Definition by Advocate Pavan Duggal, Retrieved from, visited on 1 February, 2012.

Before implementing E-Banking, one of the most crucial challenges that must be resolved is security. There is a serious risk of unauthorised network access, hacker-related data loss or damage, virus-related data loss or damage, and unauthorised network access.²² When a business uses the Internet for online payments, there is a danger of security loss. For the protection of consumer rights, confidentiality, integrity, authenticity, reputability, and privacy are top priorities.²³

Phishing:

Phishing is an online scam in which unsuspecting victims are persuaded to reveal sensitive information, such as their user names and passwords, which are then improperly utilised by spammers. The most common form of phishing involves sending emails purporting to be from the recipient's bank or other financial institution. These emails already contain the recipient's personal information and ask them to confirm it by clicking a link (URL) provided in the fake email. This URL directs users to a fake website that looks just like the real one. The information that users enter on the fake website's forms is collected and used to commit fraud on their credit cards or bank accounts, or to make unauthorised withdrawals from their accounts.²⁴

Pharming:

Another form of internet fraud, pharming involves diverting as many people as possible away from the trustworthy online banking websites they intended to visit and onto harmful ones.

The fake websites, to which victims are transported without their knowledge or consent, will probably have a similar design to legitimate websites. However, when consumers enter their login name and password, thieves steal the data.²⁵

Hacking:

The term "hacker" is frequently used to refer to an outsider who infiltrates a computer system.

²² V.P. Shetty, "Electronic Banking", in S.B. Verma, S.K. Gupta and M.K. Sharma (edited), p. 24.

²³ S.Ganesh, p. 31.

²⁴ S.C.Gupta, "Internet Banking-Changing Vistas of Delivery Chanel", in S.B. Verma, S.K. Gupta and M.K. Sharma (edited), p. 106.

²⁵ S.C. Gupta, p. 106

Hackers might be of two different categories. White-hat hackers practise ethical hacking by testing the systems of their clients to identify any vulnerabilities that may be repaired. The offenders are known as black-hat hackers or crackers. A Cracker is a malevolent hacker who could pose a significant threat to a business.²⁶

Theft of identity:

Identity theft, in which a criminal (an identity thief) assumes a different identity, is an increasing issue in cybercrime. The criminal takes credit card and social security details, typically from the Internet, in order to commit fraud (for example, to purchase goods or use services that the victim could be expected to pay for).²⁷

Salami Slicing:

A programme made to steal tiny amounts of money from numerous larger transactions so that the total amount taken is hidden.

A trap door:

A method that makes it feasible to enter programme code illegally and add more instructions.²⁸

Spoofing:

Use of a fake email address or website to induce visitors to contribute money or reveal personal information. Its primary goal is to lead customers to fraudulent or similar websites and confuse the consumers.

Password Cracker:

It is a programme that makes password guesses.

Cookies:

When a person accesses a website, a little text file called a cookie is downloaded to their

²⁶ Efraim Turban, et.al, *Electronic Commerce*, Prentice Hall, Upper Saddle River, NJ, 2006, p. 118

²⁷ Efraim Turban, 2006, p. 648.

²⁸ See: P. Weill and M.R. Vitale, *Place to Space: Migrating to e-Business Models*, Harvard Business School Press, Boston, 2001.

computer. They include data that the website server transmitted to the user's browser. A web user may occasionally examine cookies in the source code of a web page's header if they so choose. However, the majority of the time, the user is not seen the information that has been gathered; instead, their computer and browser record, track, and store it. The user's web browser will communicate the previously saved data to the website if they visit it again. By recording the users' movements on specific computers, cookies can inform a website that a user's computer is the same one that was there previously. In general, cookies contain code or other information that enables a website to track and profile a user's behaviour both on that website and on other websites. Despite the fact that the cookies themselves might not contain personally identifying information, websites may be aware of the user whose browser sent the cookie.²⁹

Conclusion.

“Mankind faces huge challenges as the 21st Century unfolds. It is essential that our leading thinkers commit time, energy and resources how to finding solutions to these risks and problems which could threaten the future of humanity itself.”³⁰

James Martin

Time evolves, and we do as well. The previous order has been replaced by the new, so we must have new requirements for this new hour. The impoverished nations must be provided with all the amenities that the Western nations take for granted under the premise of "ONE WORLD" in order to stay up with the West's nations, who were born and raised in traditions of scientific and industrial advancement. While it is true that a runner may see numerous examples of the survival of the fittest, a runner who goes alone faces the risk of ending up in the wilderness. A single weak link in the global body causes the chain to break. India must then conform to the new pattern. This is especially true of the monetary system because there is a sizable Lee-way that needs to be filled in.³¹ E-banking is become a standard component of contemporary living.³² Consumer rights, however, are not secure. The Model Law of Electronic Commerce was adopted in 1996 by the United Nations Commission on International Trade Law

²⁹ Lee Fen Yem, *Cyber Space Law*, Oxford University Press, New Delhi, 2007, p. 128.

³⁰ James Martin, In a Speech made to mark his donation of Endowment to Oxford University June 2005. See: James Martin, *The Wired Society: A Challenge For Tomorrow*, Prentice Hall, 1978.

³¹ M.L. Tannan, *Banking Law and Practice in India*, India Law House, New Delhi, 1989, p. 2.

³² Retrieved from, visited on 1 February, 2012.

(UNCITRAL), which was established by the United Nations General Assembly in order to pave the way for the development of e-commerce and a level of legal uniformity and compatibility that was acceptable on a global scale. It aimed to make it easier to use EDI, e-mail, telegrams, telex, or other forms of telegraphy by establishing criteria for judging their legal weight.³³

India passed the Information Technology Act, 2000 to prevent cybercrimes. Online banking frauds are not covered by the Information Technology Act, 2000, which is known as the "Bible" of Indian cyber law. The crimes of hacking, cracking, spoofing, and online financial frauds are indirectly protected against. Therefore, it is necessary to pass rigorous legislation to safeguard customers' rights when using e-banking. To prevent online fraud and preserve a favourable climate for the expansion of e-commerce, computer technology and legal texts must work together.

³³ Pranab Kumar Bhattacharya, "Legal Framework of Electronic Commerce: A Study with Special Reference to Information Technology Act 2000", *The Indian Journal of Commerce*, No. 4, Vol. 54, October December, 2001, p. 201.