

LEGAL FACETS OF ONLINE BANKING

~ Divyanshi*

Abstract

In the era of modernization, people are thriving more and more towards saving their time and acquiring facilities according to their convenience at their own preferred expense. This purpose is served completely by the concept of online banking. As efficient and effective as it sounds, online banking in India has got its own challenges to overcome. This paper will be dealing with issues that hinder the easy, efficient and effective way of online banking from reaching to the people and how such issues can be resolved. There are a lot of problems which need to be overcome to the boon of technology such as online banking to reach each and every citizen of the country so that they can upgrade their lives in every way possible.

Keywords: Online Banking, Technology, Cyber Squatting.

Introduction

The world is progressing to heights at a geometric rate of growth in all terms especially in the sector of technology which is most of the times, the biggest blessing to the society. Many a times technology has saved the day for numerous people ranging from highly qualified professionals to really low-level illiterate people in up gradation of their lives. Every boon in the society comes with its own kind of certain drawbacks of its own and hence technology has a vast negative impact when it comes in hands of people who don't have the righteous intentions for extracting the benefits of it.

Online Banking is one such blessing of the fact that technology is soaring heights in the present era. One does not need to take out time, spend hours in traffic jams, stand in tiring queues to wait for their turn and then be able to perform basic banking transactions. On top of it, the efficiency percentage of most of the offline banking transaction is far too less than the efficiency percentage of the online transactions. People get offered with the best of online banking services at their own pleasure of time and availability and hence they are not compelled to waste unnecessary hours on banking.¹

Online Banking provides for the ability to manage your bank account and its respective transactions over the internet using a computer, laptop, mobile device or for that matter any

* B.A.LL.B. (2018-23) Banasthali Vidyapeeth, Jaipur, Rajasthan.

1 Pooja (2015) "E-banking: A pioneering Service approach in commercial banks in India". Pacific business review international VOL.8, issue IV, Oct2015, PP(58-65).

smart electronic device. The customers need not visit the bank branch, and they can do all of their banking tasks from their homes or offices itself and whenever it is convenient to them.

Many a times, it is the case that the customers spent hours standing in the queues of public or even private banks and when their turn is about to come, the working hours, that is, the normal banking hours are over and customers have to head home without any of their work being done and the day being completely wasted. Such is not the case with online banking transactions as the work can be done anytime irrespective of the fact that the time span of the normal banking hours has to kept in mind.²

Before several years no one had thought that such progressive innovations would be introduced in the world of tiresome labor. Everyone in the banking sector worked day and night putting all of their efforts yet they could not manage to provide the speed, efficiency and accuracy which is being provided by the application of online banking. The employees of the banking sector kept using outdated system and obsolete methods while technology, innovations, development and globalization have led almost every customer to use online banking services provided by proficient applications.³

Investments in internet and mobile banking, which can be basically termed as online banking, increase the bank's performance and profitability as is shown in certain researches.⁴

Status of E-Banking in India

The Government of India enacted the Information Technology Act,2000 with effect from October 17, 2000, which provided legal recognition to electronic transactions and other means of E-Commerce. As an advisor, supervisor and regulator, the Reserve Bank of India has made exceptional progress in consolidation of the existing payments and the new online settlement systems. The Reserve bank of India is focused on the up gradation of technology with an objective of establishment of an effective, integrated efficient and secured system functioning in a real environment of the cities of India. This motive of the Reserved Bank of India has led the country towards the development of the concept of online banking and raised awareness among the people about its benefits, effectiveness and efficiency. The

2 The basics of Online Banking by Justin Pritchard, May 26 2020, <https://www.thebalance.com/what-is-an-online-bank-315204>.

3 Aladwani, A, M. (2001), "Online banking: A field study of drivers, development challenge and expectations". International Journal of Information Management, 21 (2001) : PP(213-225).

4 Onay C, Ozsoz E, Helvacioğlu AD(2008) The Impact of Information Technology on the Performance of banks.

Reserved Bank of India is monitoring and reviewing the legal and other requirements of online banking on a continuous basis to ensure that online banking would develop on sound lines and the online banking related challenges would not pose a threat to financial stability⁵.

It has been indicated in several studies that legal and security, socio-cultural and management and banking issues were the expected challenges for the development of online banking in India. However, the fact that there is almost no awareness and knowledge about the new emerging technologies and unsuitable software among the people of the country⁶. Many researches were conducted about the drivers and challenges of online banking in India to which the results were such that showed the bank managers were in support of online banking but also retrospect the fact that there was lack of internet specialists and other principle issues such as very frequent changes in the internal technology of the country.⁷

While in addition to this, the specialists involved with the Information Technology have indicated towards several other challenges in the up gradation of the online banking facilities available right now. Parameters like time constraints, budget constraints and the very immature internet technology of India refrain the country from making its system of online banking paramount. Technical complexities are the most important challenge in the progression of internet banking services. Whereas the customers, who had already experienced the facilities of online banking pointed towards basic issues such as internet security, online banking regulations and customers' privacy to be the most challenging heads to overcome by the Indian Government.⁸

Online Banking Services

India, being a developing country, has unending peer pressure upon itself to cope with the competition given to it by the other countries. Hence, the country has always tried to bring innovations and renovations in the prevalent methods and the existing systems of the society to bring in positive developments towards the way of globalization. The Indian commercial

5 Singh Preeti (2013) " An exploratory study on Internet Banking usage in Semi-Urban Areas in India". International Journal of scientific and research publications, Volume 3, Issue 8, Aug 2013, PP(1-5). ISSN: 2250-3153.

6 Verma Amit "E-banking management in India". Tactfull mangement research journal, PP(1-4). ISSN: 2319-7943.

7 Chauhan Vikas and Choudhary Vipin (2015)."Internet Banking: Challenges and opportunities in Indian context".

8 Lal Roshan and Saluj Rajni (2012) " E-banking: The Indian Scenario". Asia pacific journal of marketing and management riview, Vol-1,issue 4, Dec 2012, PP (16-25). ISSN: 2319-2836.

banks in the effect of these intentions adopted various new methods and took several initiatives and Online Banking stands one among them⁹.

Although, the public banks in India lag far behind in the era of modernization when it comes to their comparison with the privatized banks as they are constantly funded and in collaborations with the newly formed foreign banks. It is really tough for the public banks to surpass the private banking sectors and emerge as sole leaders and get a positive feedback from their customers on the online banking services.

Generally, here are the services provided by the banks of Indian origin to its customers:

- Automated Teller Machines (ATMs)
- Internet Banking
- Mobile Banking
- Tele Banking
- Electronic Clearing Services
- Electronic Clearing Cards
- Smart Cards
- Doorstep Banking
- Electronic Fund Transfer

Such services can only be availed and enjoyed by the customers if they believe and trust online banking and start making transactions through its methods. People should accept innovation and be a active part of it because in this era, if one keeps on following the old methods then he hinders the way of progression. The banks also try to provide these services with increasing efficiency to provide great facilities for their customers.

Challenges and Issues

A lot of challenges are faced by the banking sector in order to enhance their services and lead their own respective banks towards progression.¹⁰

9 Growth and extent of electronic banking services in India”. Khalfan, A. and Alshawaf A., http://shodhganga.inflibnet.ac.in/bitstream/10603/3563/12/12_chapter%204.pdf . (2004).

10 Chalan, G. V. and Nageswara, K.S (2006).”E-Banking application in Indian Banks: Emerging Issues”. Professional Banker, Vol. 17,(2), PP(72-82).

➤ Security

Many people find it very difficult to believe that the internet transactions that are carried out are safe and secured. Most of the online banking transaction are tried to be made secured at highest possible rates of efficiency yet some cases occur where due to some negligence the transactions remain unsecured.

➤ Privacy

There is fear present in almost every customer of the bank that crimes such as identity theft or disclosure of private and sensitive information in online or E-Banking leaks such as wiki leaks, panama paper leaks, etc. For every single rupee that is transacted online, the bank receives each and every vital information to it and hence the customers always have an inbuilt feeling that the banks may invade their privacy and misuse their personal information for their own profit.

➤ Trust

It is the biggest challenge before the indigenous banks to build trust in the mindset of their customers as they remain updated with the day to day mis happenings during the process of online banking. Trust cannot be built easily within the customers on the issue of online banking as doubts keep arising in their minds. People will only be able to enjoy the services once they begin to trust the institutions handling their money, which is a really tough task for the banks.

➤ Customer Awareness

In the present scenario, many of the customers are not aware of the facilities provided by the banks. They keep using the old, tiring and obsolete methods of banking and remain comfortable within their bubble. All the customers should be made aware of the online transactions being carried out and their benefits so that more and more people get encouraged towards it.

➤ Defects in Hardware

In India, all of the technological hardware manufactured has a lot of defects and the most efficient hardware which needs to be installed for error free online banking to function is very costly which most of the indian banks cannot afford to implement. Hence, faulty hardware also remains a big challenge.

➤ Money Laundering Risks

There are strict laws in India which prevent people from laundering money openly but there are no such laws for online money laundering in India as the money that is laundered online cannot be easily tracked and even if they get tracked and caught, the identities remain anonymous.

➤ Cyber Squatting

Cyber Squatting is defined as an act of registration of a famous domain name and then its sale for an exceptionally large amount of money. Cyber Squatters register providers' domains so as to attract their users and gain a lot from it. This issue was not covered as a crime in the Information Technology Act, 2000 but later it got defined by an amendment in the IT act.¹¹

➤ Communication barrier

A lot of customers face the communication barriers in their online transactions as they are only acquainted with their regional languages and the banks can only provide with the online banking services in Hindi or English.

➤ Illiteracy

Many customers which belong to the rural areas do not know about the online banking services and do not have any access to the technology and its appliances. It is the biggest challenge to reach such people with the efficient and effective facilities of online banking and its benefits.

➤ Fraud

People who are employed in the banks sometimes commit fraud for their own good as they have access to plenty of sensitive information. This needs to be overcome as soon as possible as it is a threat to both the bank and the customers.¹²

11 Adoption and Implementation problems of E-banking : A study of the Managerial perspective of the banking Industry in Oman, Journal of global information technology management, Vol. 7, Iss.(1), PP(47-64).

12 Five issues and challenges in the online banking sector by Sheila Mithem on August 13, 2017. <https://blog.inboundfintech.com/5-issues-and-challenges-in-the-online-banking-sector>.

Suggestions

➤ Refrain use of public computers or Wi-Fi Networks

Many people continue to use public computers at libraries or cybercafes. However, these locations are frequently crowded, increasing the likelihood that someone may see your login information or that you will accidentally save it on a public computer. Hackers may exploit this important data to steal money from your bank account. Therefore, it is advised against conducting internet banking on a public computer. If you have no other option, you must take further security measures and protect your account. Make sure no one is around you and look around for any cameras that might record the data you enter. Additionally, after finishing, don't forget to delete any saved information pertaining to your bank credentials by clearing the browser's history. In addition, people are tempted to utilize public WiFi hot spots because they are available everywhere in the modern world. The use of public WiFi should be avoided, though, as there are increased opportunities for electronic eavesdropping when doing so. Since many public WiFi networks are unsecured, hackers can grab your personal data and use it to their advantage. However, if you must use it in an emergency, you should always verify whether the website is encrypted by looking at whether the URL begins with 'https'. If the website URL begins with 'http', take note of the warning sign. Additionally, if you are tech savvy, it is a good idea to turn off file sharing and utilize a VPN that you alone can access.

➤ Pick a secure password and change it regularly

People typically use passwords based on easy-to-remember personal information like their name and birth date. However, hackers can quickly guess such passwords. As many banks advise, it is crucial to create a strong, one-of-a-kind password that you change every three months. The bank will provide you advice when you create a password, such as that it should have a minimum number of eight elements, include both upper and lowercase letters and digits, and contain unusual characters. In addition, you should consider the following additional security measures when choosing your internet banking password:

- a. Never build your password using any of your personal information, like your name, spouse's or child's name, pet's name, date of birth, hometown, current city name, etc.
- b. Always use lengthier passwords and avoid using simple words.
- c. Avoid using popular terms or sequences in your password, such as 1234, 0000, abcd, etc.

d. Remember to change your password every three months, and refrain from using the same password again. Every time you change your password, create a new one.

➤ Implement two-factor authentication

Two-factor authentication is currently a popular option from many banks when login into internet banking. Enabling it is advised since it offers an additional degree of security to your online banking data. You must use a separate kind of authentication with each bank. You must log onto your net banking in order to see which authentication your bank has added. Four-digit Personal Identification Numbers (PINs), One-Time Passwords (OTPs) sent to your registered cellphone number or/and email address, identification of a pre-selected image, automated phone calls to your registered mobile number, etc. are the most popular forms of second authentication.

➤ When downloading the app or clicking on the website, use caution

We frequently receive educational and promotional emails from banks that always include a link to the bank's official website. Many times, scammers will send people similar emails and instruct them to click on a URL to take advantage of special offers. You can be sure you are using the real website if you click on the URL since it will send you to one that looks precisely like the one for your bank. However, it logs the information you enter when you enter your login credentials. Fraudsters exploit this information to steal your money in other ways. Some emails may instruct you to click on a specific URL, and as you do so, tracking malware begins downloading to your device. Therefore, anytime an email instructs you to take a certain action, it is wise to check the sender. It is advisable to manually type the website address into the address bar than to click on any link. Additionally, you should always double-check that the web-page you are visiting is the bank's actual, legitimate website, even if you are coming from a search engine. Don't forget to verify that the URL begins with a https as well.

The same holds true when obtaining a bank's mobile banking app. To steal your login information, scammers might make mobile banking apps that look alike. It is therefore advisable to confirm whether the app is official or not. The majority of banks offer download links or scanning codes, which can be very beneficial for finding a reputable app. Therefore, take great care before installing any apps or entering your login information. Phishing is a type of identity theft that is among the most popular ways to obtain people's personal information.

➤ Never distribute your login information

Despite the fact that this could be the most common advise on safe online banking, many people continue to disobey it. Don't give anyone access to your login information, PINs, debit and credit card numbers, the CVV number on the back of your card, OTP, etc. Fraudsters frequently call elderly people, stay-at-home moms, etc. and pose as bank representatives. No bank ever requests or needs such sensitive information in order to conduct any banking activities. Therefore, think carefully before doing.

➤ Examine the account statement

Many people don't even examine the monthly bank statement they receive from the bank because they are aware of how much business they have done over the month. Even when doing high-value online transactions, it is still a good idea to double-check your transactions, and if there is a discrepancy, you should contact your bank right once. A monthly review of your bank statements is also strongly advised because it will not only help you learn about unauthorized transactions but will also give you an understanding of your spending habits, which will help you curb any future excessive expenditures.¹³

➤ Imply alerts for each transaction

After completing a specific transaction, you can forget to review the specifics. However, turning on email and SMS transaction alerts can assist you in keeping track of your bank account. Every time a transaction occurs in your account, you'll be notified, and you should let your bank know right away if you haven't.

➤ Antivirus software usage

Many infections, including Trojans, malware, and spyware, can be downloaded into your computer while you are browsing the internet. Such viruses can read all of your sensitive data, including your personal information, passwords, debit and credit card numbers, CVV, PIN, and other details, in addition to tracking your online activities. Installing antivirus software and timely renewing it are advised in order to prevent this.

Additionally, the number of mobile phone frauds has climbed significantly in recent years and is higher than that of computer frauds. This is due to the massive growth in mobile phone usage. You should exercise caution while downloading any unauthorized apps because they

13 Apeejay-Journal of Management Sciences and Technology. Vol.2, Issue-3, June-215, PP(29-40). Frauds in the banking sector: Causes, concerns and cures". <http://rbidocs.rbi.org.in/PDFs/DGKCAF290713.pdf>.

have access to all of your private data. It is therefore recommended that you run antivirus on your mobile device as well.

- Report such cyber-crimes

Even if it happens to you after taking all the precautions and measures. There are specific Cyber Appellate Tribunals established under the Information Technology Act, which enable the common public to come up with their miseries regarding such crimes.

Conclusion

In a country like ours, most people do not have a bank account and many others are not literate enough to do their banking transactions on their own. Instant awareness about the online banking practices needs to be spread to increase its effect on the population of India. The banks must ensure that their system is free from security risk and the customers are completely able to trust it. When it is wanted by people to use online banking for their transactions, it should be quick, simple and useful, so that people should be able to use it conveniently and feel confident about it. Hoping that this simple expectation can be fulfilled by a secure cyber framework in our country gradually in the coming decades.

VidhiNama