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E-BANKING AND RECENT TRENDS IN INDIA

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ABSTRACT

The banking sector plays a vital role in the development of one country's economy. The growth of banking sector depends upon the services provided by them to the customers in various aspects. The growing trend of banking services is found significant after the new economic reforms in India. Today, India has a fairly well-developed banking system with different classes of banks – public sector banks, foreign banks, private sector banks – both old and new generation, regional rural banks and co-operative banks with the Reserve Bank of India as the fountain Head of the system. Nowadays banking sector acts as a backbone of Indian economy which reflects as a supporter during the period of boom and recession. From 1991 various trends and developments in banking sector are credited. It also reflects the various reforms were caused to improve their services to satisfy the customers.¹

Key Words: Banking sector, recent trends and developments etc.

INTRODUCTION –

The development and the increasing progress experienced in the Information & Communication Technology coupled with the expansion of the global economy paved the way for the transformation of the Indian banking system's role from traditional trade financing to mobilizing and channelling financial resources more effectively in almost all facets of life. Intense competitive environment, changing business environments, globalization and the advancement of ICT are the important factors that have forced Banking and Financial services to change. Customers are also demanding greater convenience and accessibility as reflected in longer branch

¹ S. Praveen Kumar ,J. Pavithra , *Recent Trends In Indian Banking Sector* ,98[1].pdf,(visited on 2023)

opening hours and an increase in the choice of delivery mechanism. Therefore, with the passing of the traditional banking sector to electronic banking, new strategies have become necessary in order to attract new and retain existing customers. Banks are the main stimulus of the economic progress to play a vital role in spearheading the economic development of the nation.

Banking through electronic channels has gained increasing popularity in recent years. This system, popularly known as 'e-banking', provides alternatives for faster delivery of banking services i.e. offering, supplying and delivering banking products and services to a wide range of customers at their office or home through various electronic delivery channels via electronic devices. It is a generic term encompassing internet banking, telephone banking, mobile banking etc. It provides lot of benefits which add value to customers' satisfaction and to reach out consumers through many routes in terms of better quality of service offerings such as ATMs, telephone, internet and wireless channels which are now available to the consumers to perform their banking transactions in addition to the traditional branch banking and at the same time enables the banks gain more advantage over other competitors.²

What Is E-Banking?

The simple way to define the E-banking is banking through the means of internet. Through e-banking customer can access his account through his mobile phone or computer. It includes fund transfer to another bank or within the same, any investment, and account related details or to avail any services all through the means of internet. Previously, the customers had to stand in a long queue to avail of the bank transaction. In fact, customers were ignorant about the services or the products of the banks. But today, by just one click we can avail of the easily transfer the funds and manage our accounts.

Objective Of Study

- To examine recent trends and developments in banking sector.

² Mr. Pema Lama, *Recent Trends and Development of E-Banking: Indian Perspective*, [Recent Trends and Development of E-Banking: Indian Perspective - Banking Finance - News, Articles, Statistics, Banking Exams, Banking Magazine](#), (visited on 2023)

- To present the technological developments in Indian banking sector.
- To study the emerging trends in banking technology.

Need Of E-Banking?

- With the help of e-banking, the customer can operate his account remotely from his office or home.
- It lends an added advantage towards payment of utility bills and also eliminates the need to stand in long queues for the purpose of bill payment.
- Sharp growth in credit card/debit card usage can be majorly attributed to e-banking. A customer can shop globally without any need for carrying paper currency with him.
- By the help of e-banking facilities, banks are now available 24×7 and are just a mouseclick away.
- The rise of e-banking has made the banks more competitive and resulted in opening of better prospects and avenues for banking operations.

Importance Of E-Banking

1. The customer can easily get access to his accounts anywhere and anytime.
2. The transaction is safer and secure.
3. E-banking transaction is easier and quicker.
4. It saves the valuable time of the customer.
5. It has also reduced paperwork. It's more eco-friendly.

Recent Trends And Developments In Banking Sector Today

we are having a fairly well-developed banking system with different classes of banks – public sector banks, foreign banks, private sector banks, regional rural banks and co-operative banks. The Reserve Bank of India (RBI) is at the paramount of all the banks. The RBI's most important goal is to maintain monetary stability (moderate and stable inflation) in India. The RBI uses monetary policy to maintain price stability and an adequate flow of credit. The rates used by RBI to achieve the bank rate, repo rate, reverse repo rate and the cash reserve ratio. Reducing inflation

has been one of the most important goals for some time. Growth and diversification in banking sector has transcended limits all over the world. In 1991, the Government opened the doors for foreign banks to start their operations in India and provide their wide range of facilities, thereby providing a strong competition to the domestic banks, and helping the customers in availing the best of the services. The Reserve Bank in its bid to move towards the best international banking practices will further sharpen the prudential norms and strengthen its supervisor mechanism. There has been considerable innovation and diversification in the business of major commercial banks. Some of them have engaged in the areas of consumer credit, credit cards, merchant banking, internet and phone banking, leasing, mutual funds etc. A few banks have already set up subsidiaries for merchant banking, leasing and mutual funds and many more are in the process of doing so. Some banks have commenced factoring business.

Indian Banking Sector:

Indian banking sector can be majorly divided into three sections.

Phase I – This is from 1786 to 1969 and it was the initial phase of the banking. So, in this phase, many small banks were set up.

Phase II – This phase can be considered from 1969 to 1991 where regularization, nationalization, and growth of banks comes into the picture.

Phase III – This phase is from 1991 onwards and it consists of liberalization and its after effects.

Trends In Banking:

In recent years, there have been many changes in the banking industry. These trends in banking have made the whole process of banking very easy. These trends include the following:

RTGS – Real Time Gross Settlement:

RTGS was introduced in India in March 2004. It is a system through which a bank receives instruction in the form of electronic for transferring the funds from one bank account to the other bank accounts. As the name suggests, the transfer of funds between the accounts takes place in 'real time'. The RTGS system is kept running and maintained by the RBI. So, it is operated by the RBI who provides it the faster and efficient way to transfer the funds while facilitating the various financial operations. Thus, the money sent under this system is instantaneous and the beneficiary gets the money within two hours.

E-cheques:

This technology has been developed in the US which will replace the conventional paper cheques in India. Thus, to include this method of E-cheque and make it mandatory, a negotiable instruments act has been included in the amendment.

Electronic Clearing Service:

ECS is an electronic system that is used to make the payments and receipts that are in bulk. The payments need to be similar in nature which can be smaller in amount and repetitive in nature. Thus, this facility is specifically beneficial to government agencies and companies that make or receive large bulk payments.

EFT – Electoral Funds Transfer:

This is a system to transfer the money from one's bank account to other accounts. So, in this system, the concerning party that wants to make the payment instructs the bank and make a cash payment or authorizes the bank to transfer the funds directly. So, the sender should provide the bank with the complete details like the name of the receiver, account type, account number of the respective bank, city name, branch name, and other details to the bank. Thus, it will ensure that the amount reaches the beneficiaries account quickly and correctly.

ATM – Automatic Teller Machine:

This is the most popular method in India to withdraw the money. The customers can enable this service to withdraw the money 24 by 7. It allows the customers to perform all day-to-day bank activities without interacting with any humans. Furthermore, these facilities are also used for the payment of funds, utility bills, etc. The other trends in the banking sector include a point-of-sale terminal, telebanking, and electronic data interchange.

Advantages Of Internet Banking:³

Convenience: This is the single most important benefits that outweigh any shortcoming of internet banking. Making transactions and payments right from the comfort of home or office at the click of a button without even having to step out is a facility none would like to forego.

³ Divya.K, *Legal Aspects of Internet Banking in India*, [Legal-Aspects-of-Internet-Banking-in-India\[1\].pdf](#), (Visited on 22 April ,2023)

Keeping a track of accounts through the internet is much faster and convenient as compared to going to the bank for the same. Even non transactional facilities like ordering cheque books online, updating accounts, enquiring about interest rates of various financial products etc become much simpler on the internet.

2. Better Rates: The banks stand to gain significantly by the use of internet banking as it implies lesser physical effort from their end. The need to acquire larger spaces for offices and employ more staff to deal with the customers is significantly reduced making it financially beneficial to the banks. This means that a portion of savings accrued can be passed on to the customers in terms of higher rates on deposits and lower rates on loans. To encourage internet banking most banks, offer minimum or no deposit accounts for online banking and lower penalties on early withdrawal of Fixed Deposits.

3. Services: Technology has made it extremely convenient for the bank as well as the customer to access to a host of wonderful services by simply logging in. These services include financial planning capabilities, functional budgeting and forecasting tools, loan calculators, investment analysis tools and equity trading platforms which are available as simple applications on the bank's website. Additionally, most banks also provide the facility of online tax forms and tax preparation.

4. Mobility: Internet banking has a step further in the last few years in the form of mobile internet banking which accords unlimited mobility to the customer who can now handle financial transactions even while on the move.

5. Environment friendly: Another important benefit of the concept of internet banking is that it is good for the environment as it cuts down the usage of paper, reduces pollution as people do not have to travel physically and also does not add emissions. However the current trend of exclusively using the online mode to make all kinds of transactions has a few pitfalls which may prove costly in the long run unless guarded against from the beginning.

Disadvantages Of Internet Banking⁴

1. Relationships: Online transactions take a toll on the relationship with the banker which the traditional visit to the branch office used to foster. Personal relationship with the staff at the banks comes handy when requesting for faster loan approval or a special service which may not be available to the public. The manager has many discretionary powers such as waiving of penal interest or service fees which were often taken advantage of by better acquaintance with the staff. Additionally personal contact also meant that the banker would provide essential financial advice and insights which are beneficial to the customer.

2. Complex Transactions: There are many complex transactions which cannot be sorted out unless there is a face-to-face discussion with the manager that is not possible through internet banking. Solving specific issues and complaints requires physical visit to the bank and cannot be achieved through the internet. Online communication is neither clear nor pin pointed to help resolve many complex service issues. Certain services such as the notarization and bank signature guarantee cannot be accomplished online.

3. Security: This is the biggest pitfall of the internet banking scheme which needs to be guarded against by the common customer. Despite the host of sophisticated encryption software is designed to protect your account there is always a scope of hacking by smart elements in the cyber world. Hacker attacks, phishing, malware and other unauthorized activity are not uncommon on the net. Identity theft is yet another area of grave concern for those who rely exclusively on internet banking. Most banks have made it mandatory to display scanned copies of cleared checks online to prevent identity theft. It is essential to check bank's security policies and protections while opening an account and commencing the usage of online banking facilities.

4. The Trust Factor: Trust is the biggest hurdle to online banking for most of the customers. Conventional banking is preferred by the customers because of lack of trust on the online security. They have a perception that online transaction is risky due to which frauds can take place. While

⁴ Divya.K, *Legal Aspects of Internet Banking in India*, [Legal-Aspects-of-Internet-Banking-in-India\[1\].pdf](#), (Visited on 22 April ,2023)

using e-banking facilities lot of questions arises in the mind of customers such as: Did transaction go through? Did I push the transfer button once or twice? Trust is one among the significant factors which influence the customer's willingness to engage in a transaction with web merchants

5. Customer Awareness: Awareness among consumers about the e-banking facilities and procedures is still at lower side in Indian scenario. Banks are not able to disseminate proper information about the use, benefits and facility of internet banking. Less awareness of new technologies and their benefits is among one of the most ranked barriers in the development of e-banking⁵.

Provisions Of Information And Technology Act, 2000

The Provisions of the Act, widely deals regarding the Management in offering of E-Banking Services by the Bank Channels along-with dealing to specific provisions for curbing the E-Banking Frauds and other ancillary Cyber Crimes.

The Section 3(2) of the Information and Technology Act, 2000 provides specific provisions for a particular technology as a means of authenticating the records, like the Servers of Banks and other virtual platforms by virtue of which the Banks provide us the E-Banking Services.

The Section 4 of the Information and Technology Act, 2000 further says regarding the security and privacy of a customer's information that any matter which shall be in writing or in a type-written form/printed form, then notwithstanding anything contained in such law, such requirement shall be deemed to have been satisfied as true, if such information is rendered and certified in an electric form and is accessible so as to be usable for the subsequent references.

The Section 72 and Section 79 of the Information and Technology Act, 2000 further provides the liability for Breach of Privacy of the Customers on the Service Providing Agency or the Intermediary which is responsible for providing the Data Service travelling through their servers on certain terms and conditions.

For improving the quality and status of the E-Banking services *G. Gopalkrishna Working Group*

⁵ Law of Torts With Consumer Protection Act- RK Bangia-Pg.no.41

(GCWG) in 2011 has released a Report on the Security of E-Banking in India with some amendments on 29 April, 2009 which presently constitutes the current regulatory guidelines as an extension of IBG 2001.

Provisions Of Indian Penal Code, 1860⁶

The main provisions relating to dealing with the E-Banking Frauds in India are as follows:

Section 383: Punishment of Extortion- Whosoever intentionally and illegally puts a person in fear to deliver any property or valuables to him, otherwise he will defame that person by posting some defamatory statement or Article against the said person shall be punished with imprisonment which may extend to three years, or fine, or both.

Section 379: Punishment of Theft- Whosoever dishonestly take away the goods or any electronic record illegally from the possession of its rightful owner without his express consent shall be punished with imprisonment which may extend to three years or with fine or both.

Section 406: Punishment of Criminal Breach of Trust- Whosoever mis-appropriates any movable property like computer device or any electronic device which was entrusted to him for a lawful purpose, causing wrongful damages to its owner shall be punished with imprisonment which may extend to three years or with fine or both.

Section 417: Punishment of Cheating- Whosoever impersonates some other person which he is not or knowingly substitutes such person, and causes wrongful losses to the innocent victim shall be punished with imprisonment which may extend to one year, or fine or both.

Section 471: Using as genuine a forged document or electronic record- Whosoever fraudulently or dishonestly uses as genuine any document or electronic record which he knows to be forged shall be punished with an imprisonment which may extend to two years or fine, or with both.

Section 500: Punishment of Defamation- Whosoever knowingly publishes without any

⁶ Yashraj Baise, Major Legal Issues in Indian E-Banking System, Available on, Major Legal issues in Indian E-Banking System - iPleaders, visited on 2023

justification or reasonable cause any statement, image or document on social platforms, believing and knowing it to be false against any person, firm, company were such imputation will definitely lower the image and intellect of him in front of the general public, shall be punished with simple imprisonment which may extend to two years or fine or with both.

Section 506: Punishment of Criminal Intimidation- Where a person's threatens other person to harm his reputation, life or property via an electronic means which induces that person to commit an illegal act or prevent him doing an act which is legally obligatory on him shall be punished with imprisonment which may extend to two years, or fine or both.

Legal Issues In Internet Banking In India:

India is a signatory of WTO. The basic principles of WTO are Liberalization, Globalization and Privatization. Therefore, trade and commerce in India has been liberalized. Incidentally, the financial sector has also undergone major changes. With the advent of e-banking, India is facing unprecedented competition from the World at large. If technology is not updated in financial sector, international trade would be a distant dream. The deregulation of the banking industry coupled with the emergence of new technologies has enabled new competitors to enter the financial services market quickly and efficiently. Various provisions of law, which are applicable to traditional banking activity, are also applicable to internet banking. This does not overcome the problems, and therefore there is need for introduction more stringent rules and laws specifically to meet the problems of e-banking. The legal framework for banking in India is provided by a set of enactments, viz. – The Banking Regulation Act 1949, – The Reserve Bank of India Act 1934 and – The Foreign Exchange Management Act 1999 – The Information Technology Act 2002 – The Consumer Protection Act 1986 – The Indian Contract Act, 1872 – The Negotiable Instruments Act, 1881 – The Indian Evidence Act 1872

How To Take Legal Action In Case Of Smart Card Fraud?

The moment a person come to know that a suspicious transaction has been done on his or her credit/debit card, has to inform the card issuer immediately. One should lodge a formal complaint with the bank and ideally call up the customer care number to block the card or the account

immediately. How to file a complaint? If the fraud is related to net banking, ATM transactions, or any other online transaction happens, the person have to raise a complaint. But, before filing a written complaint with the bank or the card issuer, the person has to make sure that he or she has at least these following documents

- Bank statement of the last six months of the concerned bank
- A copy of SMSs received related to the alleged transactions
- A copy of your ID proof and address proof as shown in the bank records
- A complaint lodged in the nearest police station explaining the complete incidence along with the above said documents

There are several fake apps being floating around in the cyber world. In case of any financial fraud committed through an app, in addition to the above-mentioned documents, also have to furnish the screenshot of the malicious app and the location from where it was downloaded.

Where To File The Complaint?

Once the card issuer or the bank has been informed about the fraudulent transaction, one should file a written complaint with the nearest police station. "An FIR has to be filed in the local police station only. In case police refuses to file an FIR, the court can be approached under section 156(3) of the CrPC . But what if the police asks to go to the Cyber Cell to file the complaint? The concerned person need to approach the cyber cell. He can file an FIR in the local police station itself. The cases are forwarded by the police stations to the Cyber Cell. In case the person wishes to lodge a complaint directly with the cyber cell, even after having lodged a complaint with the police, can do so. The contact details of such district cyber cell specific to the person's place of residence can be found on the Internet⁷

Liability In Case Of Fraudulent Transaction:

Now, if the fraud happens and the bank is not at fault and it was committed by a third-party through an act of scamming, phishing etc, the RBI rules says that the customer is not required to pay if the breach has been reported within three days of the fraudulent transaction. A transaction

⁷ Banking Frauds: How to report a net banking, debit or credit card fraud (indiatimes.com)

reported after that but within seven days, the per transaction liability of the customer will be limited to the transaction value or an amount set by the Central Bank whichever is lower. And, if you take more than seven days, "the customer liability shall be determined as per the bank's Board approved policy," says the RBI notification. Having informed the bank, as per the RBI rules, the resolution has to be over within 90 days. Banks have to credit or reverse the unauthorised electronic transaction to the customer's account within 10 working .

Suggestions

The Banking System is the life-blood of a Country and its Economy, therefore after analyzing the above issues in Indian E-Banking System, the suggestions and measures in this reference are as follows:

1. The duty which is imposed on the Banks and NBFC's to maintain the secrecy and confidentiality for the sensitive information of the customers must be statutorily recognized for giving it a legal status and imposing penalty on the Banking Authorities on it's violation, so that it's enforcement can be ensured more stringently than it is there presently.
2. The Internal Auditing or the Statutory Auditing like it is their for the Government Companies by the Auditor appointed with the instructions of Comptroller and Auditor General of India must be made compulsory for all the Banks in India, at beginning we will face some teething issues but at last, it will result in maintaining the transparency in Internal Affairs of the Bank, which will ultimately serve the interests of the consumers and will result in their benefit at large.
3. Some concrete measures like Biometric Authentication at the ATM Machines, or before logging in the E-Banking Website Portal which has started being opted by certain Banks in the Country must be made mandatory for all Banks by the Reserve Bank of India.
4. Each Banks should incorporate one In-House Cyber Grievance Redressal Cell, who could directly deal with the Banking Frauds happening in their Banks, they must analyse their functions and affairs annually and send their Annual Report to the concerned State Cyber Cell or the District Cyber Cell for their Expert Advice and Guidance in this reference.

Conclusion

In the days to come, banks are expected to play a very useful role in the economic development and the emerging market will provide business opportunities to harness. As banking in India will become more and more knowledge supported, capital will emerge as the finest assets of the banking system. Ultimately banking is people and not just figures. Customers of Indian banks are still reluctant in adopting electronic banking. Understanding the reasons for this resistance would be useful for bank managers in formulating strategies aimed at increasing online banking use. Crime based on electronic offences are bound to increase and the law makers have to go the extra mile compared to the fraudsters, to keep them at bay. Technology is always a double-edged sword and can be used for both the purposes, good or bad. Preamble of the IT Act 2000 provides that the Act was passed with the objective to give legal recognition for transactions carried out by means of electronic data interchange and other means of e-commerce. Further the Act has also made amendments to the IPC 1860, Indian Evidence Act 1872, The Bankers Books of Evidence Act 1891, and the Reserve Bank of India Act 1934 for facilitating legal recognition and regulation of the commercial activities. Though this objective of the Act is not to suppress the commercial activity, but has defined certain offences and penalties to smother such omissions, which is understood to come within the characterization of cybercrimes. For customers security is still a big concern for usage of e-banking services which the present legislation is inadequate to deal with. The challenges ahead to the court of law to apply the provisions have been difficult due to lack of clarity. The legal issues of Internet banking in India must be taken more seriously by all stakeholders especially the Indian banks. However, better results cannot be achieved till cyber security requirements made mandatory on the part of Indian banks. Cashless India is the future India!

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