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MAJOR LEGAL ISSUES IN E-BANKING IN INDIA- Sarita Dhaka¹**ABSTRACT**

In recent time banking plays a very important role in everyone's life and need of our regular lifestyle. In 2016, Prime Minister Narendra Modi announced the closure of the note or we can say it demonetization also. Since that incident the importance of e-banking has increased a lot. Even today with e-banking you can send money from one account to another account, view bank statements of your bank account transaction, view details of your loan, buy insurance, buy online products etc. make online payments and make it many other uses also. E-Banking services are accessible 24*7 and now everyone prefers to carry plastic cards instead of currency notes. Electronic banking is now reached at a different innovative and competition level. In fact there is nothing to wrong if we say global competition.

Keywords: E-Banking, Innovative services, Competition, banking issues.

INTRODUCTION

Banking services began in some parts of Italy in 14th century. At that time it was introduced on the line of lending and borrowing among the people. It was called barter system. With the passage of the time the system of hoarding and lending money kept evolving. But the modern banking services started from the 17th century only. Between the 14th-17thcenturies there are other banking dynasties which play a role in history of banking like Fraggers, Berenbergs etc. Oldest bank in the world are bank of England and The Royal Bank of Scotland.

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Now, there is a global competition in financial sector and at a same time market shares plays a very important role in the success of sectors related to financial organization. Especially in India e-banking is a witness of tremendous development after the year 2016. When the Prime Minister of our country focuses on modern technology and convinces peoples to adopt it. Now, as per the recent news in The Economic Times, Bill Gates calls India's digital finance approach a global model. It shows that India reaches a new height in the technology and innovative services. During Covid, RBI also reiterates usage of digital modes for banking transaction. At this time of nationwide lockdown, digital payment modes play an important role and help to restrict the movement of peoples.

E-Banking allows users to conduct financial transaction through internet and also known as web and online banking. With the help of e-banking all the work that has to be done by bank, can be easily done with the help of Smartphone and computer seating at home. For example Electricity bill is a very time consuming task which we can accomplish very easily by seating online at home.

EVOLUTION OF E-BANKING

Now a day's reason behind the use of e-banking is that bank provides a variety of services and to avail those services we have to stand for long hours in line. But the generation of today does not want to waste time to stand in a line and want that all work to be done by seating at home. This is one of the most important reasons that everybody started using e-banking.

In 1980, organizations such as Europe and US considered the convenience of home banking and started working on it. At that time internet was not so well developed so fax machine and telephones were used. In 1983, the Nottingham Building Society introduced 1st e-banking service in attitude as LBS. Online banking service was started for the 1st time in October 1994. It is developed by Stanford Federal Union and it is becoming more innovative due to development system. Although banking sector faces some evils but still emerged as a revolution.

OBJECTIVE

- To understand the new methods of e-banking.
- To learn how to analyze sources and data, read out existing material.

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- To find out global competition and promote innovations in the particular sector.

E-BANKING IN INDIA

In today's era e-banking has achieved a new status in India. ICICI bank was the first to introduce e-banking in India and after that many private sector banks tried to provide near services. The need of e-banking in India is felt by people at the time when Prime Minister Narendra Modi demonetized in 2016. Now almost all the banks of India whether it is from private sector or the government sector is trying to woo people with its new schemes and innovative ideas.

The government of India and RBI are also encourages banks to promote competition among themselves and it is the reason that government of India enacts IT Act 2000 with its effect from October 17, 2000. Banks provide e-banking services like:

- Door step banking.
- Credit cards.
- Telephone banking.
- Internet banking.
- ATMs
- Utility bill payment.
- Electronic fund transfer.
- Mobile banking and many others.

One of the most important reasons to attract people to e-banking is that it offers 24*7 services with convenience of the customers.

CHALLENGES OF E-BANKING

E-Banking endure a lot of problems in India since its inception, some are as follows:

- Illiterate people cannot understand that how to access e-banking system.
- Misunderstanding in banks and customers due to lack of proper system.
- Not knowing how to use technology properly and due to this data leakage and fraud on the internet.

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- One of the most important threat in the line of e-banking that it is not secure all the time.

ADMONITION

- Increasing the importance of e-banking in the financial market by the government of India by the investment in financial infrastructure.
- Explain e-banking to the people of India and its importance for upcoming future.
- Bringing new methods and facilities to e-banking. So that e-banking is easier to use and it attracts more people.

MAJOR ISSUES OF E-BANKING IN INDIA

As we all know e-banking has become an important part of our daily life in today's era and for that we have to face some legal issues along with the benefits of e-banking. Some important issues are as follows:

- Lack of security: Here I am sharing my personal experience as I am having paytm download in my phone it has my debit card credentials due to which it started deducting some monthly charges from my bank account though I have not applied it for and I was not aware about that after finding a lot I have found the reason behind the money deducting from my account when I contacted the customer care of bank they suggested either I need to fill a complaint or block my debit card. Hence, you cannot fully rely on online banking.
- Technology interruption: Though bank are promising new technology based online banking services but there are times when banks faces technology glitch that results to breakdown of banking online technology system as well as trust of customers.

Let's take an example to understand how a simple issue in e-banking can create a chaos. During this time of pandemic around the world, we all prefer to go online, like purchasing groceries online, shopping, learning, transferring / paying money to relatives or watching movies on OTTs but the concern is our hard earned money. Is it safe to put money online or not??_Though banks are promising virtual and user friendly e-banking but in last decade there are some major issues faced by banking sector.

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Let's talk about the recent one, on 2nd December 2020 technical glitch of HDFC bank largest private lender in the country has faced major glitch for over 48 hours; customers were unable to access online banking and through banks application as well.

So if the most valued lender in the country has faced online outage then what wouldn't. Whether to trust e-banking or not?? And trust is earned when action meets words. Though RBI has sent technical team to investigate breakdown, yet there is no such legal action or penalty for such outrage in the country which is strictly needed indeed, banks need to strengthen their technology, capabilities to convince the customers that online banking channels are trustable.

DEMONATIZATION AFFECTED BANKING SYSTEM COMPLETELY

There have been three demonetization phase in India so far. The prime minister had announced the demonetization and the reason behind it is high value currency, checking fake currency and curbing terrorist finances among others, while any incident of forgery is a concern. Demonetization is a process by which the government closes the old big notes and implements new notes. It affects only with the larger number. Before the closure of notes in 2016, many fake notes were also found which were spoiling our economy.

Study says, that the excess growth in bank deposits has been in the range of 3.0-4.7 percentage points since demonetization. In nominal cases these estimates means excess of deposits which have been in the range of Rs. 2.8-4.3 trillion in the banking system due to demonetization.

Positive effects of demonetization:

- Positive impact on black money and brock as well.
- Expiry of fake notes.
- Bringing development in E-banking.
- To ban terrorist and naxalites activities.
- Increase in tax due to all transactions being digitally.

Negative effects of demonetization:

- Impact on country's GDP due to sluggish economy during demonetization.
- Demonetization in the country has a negative impact on tourist industry also.

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Influences of demonetization on banking sector:

- Deposits increases: Demonetization has increased the deposits in banks. Unaccounted money in the form of Rs.500 and Rs.1000 were flowing to the banks and the sizes of deposits have been increased.
- Fall in cost of funds: Over the post few months the deposits were increased, it led banks to keep a major part of their deposits in the form of cash deposits. Surplus liquidity conditions have helped to facilitate the transmission of monetary policy to Market interest rates. Before the period of demonetization, banks lowered their domestic term deposit rates and lending rates.
- Government bond demand rises: According to bond dealers the demand of government bonds increased after the demonetization. And it shows the positive impact on the bond market. And now you have to buy that amount of bonds which comes under the statutory liquidity ratio in portfolio.
- Push towards digital banking: Due to demonetization, the economy of our country was able to push towards the e-banking and serve as a cashless economy. Cash within an economy is non-existent and all transactions have to be done by electronic channels only such as debit cards, credit cards, online payment, internet banking, mobile banking, door to door service and national electronic fund transfer etc.

There are many benefits of cashless transactions:

- Cashless economy curbs generation of black money.
- Reduces costs of operating ATM's.
- If cashless transactions increases, the Reserve Bank will have to print fewer notes, thereby reducing the huge cost incurred on the printing of notes.
- The condition of accessing a particular location for providing banking services will be eliminated and this will reduce the transaction value as well as transport expenses.
- Cashless economy will be very helpful in ensuring universal availability of banking services to all and this will happen in this system, instead of creating the infrastructure for expansion of banking services, a digital structure will be needed instead.

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- If the economy is cashless, the incidence of tax evasion will decrease significantly. This is because the evidence of each cashless transaction is recorded in the data base, which makes it easy to collect data related to the real income of any person.
- The efficiency of many programs being run for the welfare of the public will increase, because with the help of cashless economy money will directly reach the bank accounts of the people through electronic means instead of going to the middleman.
- E-banking increases speed and satisfaction of operations for customers and there is no delays and queues, no interactions with bank staff required.

DIGITAL TRANSACTION PLATFORMS

Digital transaction platform means cashless payment, where payment through digital nodes and no need to carry physical form of cash or no hard cash required in digital transaction payment. And it also helps in reducing costs of managing cash in our economy. No one can feel comfort to carry bundles of cash all the time and in all the places because handling cash is a very much hectic process for everyone, digital transaction platform were emerged.

At the same time different securities are required for digital payment such as confidentiality, authentication, integrity, availability, Authorization and non repudiation.

There are various types of digital transaction platforms which is used after demonetization and specially during lockdown:

- UPI: It stands for unified payment interface and it allows transfer of money from one Bank account to another instantly via one's mobile phone. Payment can be made via app on mobile device only. But before that you need to download the UPI enabled app. It is launched by the National Payment Corporation of India.
- BHIM: BHIM stands for The Bharat Interface for money. It is a initiative which is taken by government of India to enable fast and secure cashless payment through digital banking. The most special thing about BHIM app is that now you can do UPI transaction in any bank with this single app that is BHIM app. Earlier every bank use to release a UPI app of its own. In such a situation, many apps had to be installed for transaction. This is not so in the Bhim app. This is an app that allows

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you to conduct transaction in all banks. And at the same time like e-wallet, there is no hassle to keep money in it. In BHIM app you can make money transactions in saving and current account too. The best thing is that BHIM app is available in hindi and english both the languages.

- **IMPS:** IMPS stands for immediate payment services. IMPS have many options from which money can be transferred as quickly as like ATM's, phone banking etc.
- **Banking cards:** There are many types of facilities available at bank like debit card/ credit card and they are provided with the new features and benefits everyday such as if you make payment by banking cards there is more security in payments, convenience according to customers needs, carry out anywhere etc. There are some well known banking cards like visa card, master card, rupay which can be used for online payments and purchases.
- **AEPS:** Expanded as Aadhaar enabled payment system. It helps in all kinds of digital transactions such as Aadhaar to Aadhaar fund transfers, account enquiry, cash withdrawal and deposits etc. All transactions under AEPS based on Aadhaar only. For this account holder need to register their Aadhaar number with the bank where he/she hold an account.

RBI FORMS WORKING GROUP TO EVALUATE DIGITAL LENDING

On January 13, 2021 RBI has announced that it has formed working group on digital lending through online web and mobile apps which comes in wake of various risks faced by customers availing such services. As the year 2020 has faced severe pandemic for banks & FIs it becomes difficult to serve customers in person, therefore many such online services have been adopted by financial institutions. Number of new entities has also entered into market which provides only service through online and mobile applications. While these digital methods of financial services are welcomed by people, there are also certain down risks often tied together.

Various financial startups in the year 2020 have revolutionized the activities of people of India related to their financial transactions. Now a day's people are going digital at rapid pace. Let me name some startups, "salarydost, epay later, flexi loans, and loanxpress are few names" which

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offers digital payment solution, instant credit including numerous online 2020 services with very few documentation process and that too through online mode like e-KYC etc. People are overwhelmed with such services, but when it comes to recovery, financial institutions are using imperative procedures. It has become as imperative as it is easy to grab such digital financial services.

As RBI and population of India supports innovation in financial activities which make sure financial inclusion, RBI is also concerned about data security, consumer privacy and protection. There should be balanced approach and proper framework and regulatory system that needs to be followed by financial service providers. Hence, the group formed by RBI includes concerned sector specialists such as RBI executive Jayant Kumar, Ajay Kumar Choudhary, P vasudevan and Manoranjan Mishra and also specialist from fintech industry Vikram Mehta and cyber security expert Rahul Sasi. The working group is expected to suggest regulatory changes, measure or expansion of regulatory framework, fair code of practice and security and privacy of customers by evaluating and analyzing digital lending activities of regulated and unregulated market players.

CONCLUSION

Our banks are presently striving to make revolutionary changes in its activities. For this we need to establish institutions for training of employees. Now, banks moving towards a stage of massive development and at the same time opportunities of employment are emerging on a large scale by the way of expansion of branches, growth of business. Banks provide employment direct from campus selection and then providing training to fresher's at the same time banks need to emphasize on other activities like providing training to customers and how to emphasize the use of E-banking towards growth and ease. Banks need to improve their IT system so that no fraud can happen and E-banking can be used only to process customer transaction to reduce the time not to hack or release the data of customer or bank itself to hackers. So we can say E-banking is easiest process to reduce the time for making banking safely and easily just we have to be more secure and aware at the same time.

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