Threats to the Rights of Consumers in E-Banking in India: An Overview

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ABSTRACT

In the last decade, India has witnessed one of the most important events in human history- the Web Revolution. The rapidly increased use of the web, the Internet, Intranet and Extranet, e- business or e-commerce and mobile commerce has changed the manner in which business is done in almost all the organizations. Technological innovation is blurring the distinction among traditional forms of financial intermediaries such as commercial banks, investment banks and specialized finance companies. The advent of e-Business accompanied with technological innovations and globalization is constantly propelling the businesses organization to redefine their business operations in terms of value chain reengineering and restructuring business models. Likely, the financial sector is metamorphosing under the impact of competitive, regulatory and technological forces. Financial institutions especially the banking sector is currently in a transition phase. Banks are the engines that drive the operations in the financial sector, which is vital for the economy of any country. The Banking industry is one of the oldest in the world. The Indian Banking Industry has not remained totally passive spectator of Information Technology revolution that has taken place around the world. Banking industry in India has undergone radical changes under the umbrella term 'web Revolution'. In the modern computer world, all the activities of the banking transactions are made through computers and electronic medium. The banks have put themselves in the World Wide Web to take advantage of the internet's power and reach, to cope with the accelerating pace of change of business environment. Electronic Banking is popularly known as 'PC banking', 'online banking', 'Internet banking', 'Telephone-banking' or 'mobile banking'. E-banking may be understood as term that covers all these ways of banking business electronically. In this research paper, it is highlighted that on one hand online banking has made the lives of people very easy, however, on the other hand, online banking is not free from threats and risks. In this research paper the threats to the consumers in online banking has been highlighted.

Key Words: 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 statement depicts the plight of many business organizations in the new millennium. The footprints of the evolutionary process of humanity reveal that the lap of new millennium has absorbed manifold technical revolutions. In the lap of new millennium, a new revolution has opened its eyes namely Web (Network) Revolution. It interconnects different parts of the world, enabling the seamless flow of information.

The rapidly increased use of the World Wide Web, Internet, Intranet and Extranets, e-business, e-commerce and mobile commerce has changed the manner in which business is conducted. The advent of digital era accompanied with technological innovations and globalization is constantly propelling the businesses organization to redefine their business operations in terms of value chain reengineering and restructuring business models.

Likely, the economic sector is metamorphosing under the impact of competitive, regulatory and technological forces. The 'e-Revolution' has placed virtually the entire trading universe in cyberspace and this new trading universe in the lap of cyberspace is known as 'Digital Economy'.

The digital economy Digital economy refers to an economy that is based on digital technologies including digital communication networks (the Internet, Intranet and Private Value-Added Networks or VANs), Computers, Software and

other related Information Technologies. The term Digital Technology also refers to the convergence of computing and communication technologies on the Internet and other Networks, and the resulting flow of information and technology that is stimulating e-commerce and vast organizational change.

Management Guru, Peter Drucker:

"The truly revolutionary impact of Internet Revolution is just beginning to be felt. But it is not "information" that fuels this impact. It is not "artificial intelligence". It is not the effect of computers and data processing on decision-making, policy-making, or strategy.

It is something that practically no one foresaw or, indeed even talked about ten or fifteen years ago: e-commerce –that is, emergence of the Internet as a major, worldwide distribution channel for goods, for services, and, surprisingly, for managerial and professional jobs. This is profoundly changing economics, markets and industry structure, products and services and their flow, consumer segmentation, consumer values, consumer behavior, jobs and labor markets. But the impact may be even greater on societies and politics, and above all, on the way we see the world and ourselves in it."

In a digital economy internet is an engine and e-commerce is its fuel. The cutting edge of business today is e-commerce. E-Commerce is a term popularized by the advent of commercial services on the Internet. Internet e-commerce is, however, only one part of the overall sphere of e-commerce. The advent of E-Business accompanied with technological innovations and globalization is constantly propelling the businesses organization to redefine their business operations in terms of value chain reengineering and restructuring business models. The financial system is considered as a backbone of an economy.

Likely, the financial sector is metamorphosing under the impact of competitive, regulatory and technological forces. Financial institutions especially the banking sector is currently in a transition phase. In India too entire banking industry has undergone radical changes under the umbrella of 'Web - Revolution'.

E-Banking Industry: An Engine of E-Commerce Economy

Banks are the engines that drive the operations in the financial sector, which is vital for the economy of any country. Banking industry is one of the oldest in the world. Banking originated about 4000 years ago in places such as Babylon, Mesopotamia and Egypt. The emergence of paper currency as a medium of exchange has revolutionized the banking industry. By 1600 A.D. use of cheques became widespread and by mid 1990s banks started using telegraph technology to 'wire' money from one location to another in a matter of seconds. There have been three ages of payment: (1) Notes and Coins; (2) Paper payments and (3) Electronic payments. New technology has not only provided an ever-increasing range of electronic payment products, it has also had far-reaching effects on the way in which banks operate in the widest sense. The process of doing banking functions deploying Information Technology is termed as E-Banking. It means delivery of bank's services to a customer at his office or home by using Electronic Technology. E- Commerce is an emerging global reality that has significant impact on banking. It encompasses three facets of a Contract of Sale, i.e., Offer, Acceptance and Movement of Consideration. The payment of money as one leg of the transaction essentially involves Banking. Today, E-Commerce is being seen as the single largest business window across the world. It has introduced a paradigm shift in the dynamics of business and banking.

The Indian Banking Industry has not remained totally passive spectator of Information Technology revolution that has taken place around the world. Technology in the Banking has been used in four major ways

1. To handle a greatly expanded customer base
2. To reduce substantially the real cost of handling payments
3. To liberate the banks from the traditional constraints of time and place
4. To introduce new products and services

The availability of communication networks such as Indian Financial Network (INFINET) using V-SAT satellite technology, Optical Fiber Network and other terrestrial lines dedicated to the Indian Financial Sector and increased networking options by basic telecom service providers have made possible to apply Electronic technology to each banking transaction. The payment mechanism plays a leading role in the development of e-commerce.

In India, the design, management and regulation of electronically based payments system are becoming the focus policy deliberations. The imperatives of developing an effective, efficient and speedy payment systems are getting sharper with

the introduction of new instruments such as Credit Cards, Tele- banking, ATMs, Retail Electronic Funds Transfer (EFT) and Electronic Clearing Services (ECS).Our Indian economy is moving towards Smart Cards, Debit Cards and Financial Data Interchange for straight through processing. E-Banking has pushed the limits of the term 'money' to a new extreme of 'e-cash'.

Salient features of Electronic Banking

According to Indian Banking Companies Act, 1949, "Banking Company is one which transacts the business of banking, which means the accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, and order or otherwise." According to H.L.A. Hart, "A Banker is one who, in the ordinary course of his business, honours cheques drawn upto him by persons from and for whom he receives money on current account." The fundamental feature of physical banking has remained same. Cyberspace has put the entire banking industry into virtual world. Individuals have a wide variety of avenues to access cyberspace in general, and the Internet in particular. The Internet is not a physical or tangible entity, but rather a giant network which interconnects innumerable smaller groups of linked computer networks. This e-revolutions has forced the banking industry to rethink, reinvent and improve their products and services as per need of hour. Customers or consumers are cherishing most of the benefits of Electronic Banking like: (1)Anywhere Banking- No matter wherever the customer is in the world. Online banking, balance enquiry, request services, instructions are just one click away; (2) Any time Banking- Time is no longer constraint. It is 24 hours a day and 7 days a week;

(3) Convenient as per time, place and cost; (4) Cash Withdrawal from any branch through ATM; (5) Brings down the cost of bankingto the customer; (6) Online Shopping with the assistance of online payment; (7) No GeographicalBarriers-E-Banking provides unlimited network to the number of branches. Any personal computer connected to modem and telephone having internet connection can provide banking facility to customers; and (8) E-Banking and e-commerce has improved transparency in transactions. E-Banking allows customers to open accounts, pay bills, view account balances, complete loan applications, calculate interest, view and print copies of cheques and deposits, exception reporting on overdrawn accounts, fund transfer, stop payments, re-order cheque books and statements and receive banking industry news, send and receive message to/from the bank through e-mail. It also has on-line demonstration and training system to assist new or potential customers.

Threats of E-Banking:

The history of computer crime is as old as the computer itself. Any new technology or development can be used for both constructive as well as destructive purposes. When most of the people are using computers for constructive, ethical legal purpose, there are some who are using these for destructive, unethical or illegal purpose. If a fraud is committed with the help of a computer, it can be called as "Computer Crime".

Computer crimes are classified into three broad categories: (a) Data Related Crimes; (b) Software Related Crimes; and (c) Physical Crimes. The Internet environment provides an extremely easy landscape for conducting illegal activities on computer. These are known as cybercrimes, meaning crimes executed on the Internet. Cybercrime has recently become a catchy term for a group of security issues in cyberspace. Crime refers to all activities done with criminal intent in cyberspace or using the medium of internet. These could be either the criminal activities in the conventional senses or activities, newly evolved with the growth of the new medium. Any activity, which basically offends human sensibilities, can be included in the ambit of cybercrimes. Hundreds of different methods and 'tricks' are used by innovative criminals to get money from innocent people, to buy without paying, to sell without delivering, to abuse people and much more. The Internet with its global reach has also resulted in a growing amount of cross-border fraud. There are considerable issues to be addressed in implementing E-Commerce transaction through E-Banking.

Security Issues:

In E-Banking industry the financial crimes with the assistance of Internet are increasing day by day. Security is one of the most important issues required to be addressed before implementing E-Banking. There is a considerable threat of unauthorized access/loss or damage of data by hackers, loss and damage of Data by virus and unauthorized access within the network. The risk of loss of security is present when an organization makes use of Internet for online payment. Confidentiality, Integrity, Authenticity, Reputability and Privacy are major concerns for the protection of rights of consumers.

Phishing:

Phishing is an Internet fraud, through which innocent persons are enticed to divulge their personal information like User Identity and Passwords, which are later on used by spammers in an unauthorized way. The most important method of Phishing is sending e-mails claiming to be from consumers' Bank or other financial institutions which are dealing, that already has consumer's personal information, and consumer will be asked to confirm the details by clicking a personal link (URL) provided in this fake e-mail. This URL takes consumer to a fake website which will be similar to the genuine website, and the information provided by consumer in the forms provided in the fake website, will be gathered and used for committing fraud in their accounts/ credit card or withdraw funds unauthorized from their accounts.

Pharming:

Pharming is another Internet fraud, whereby as many users as possible are redirected before they reach the legitimate online banking websites they intend to visit and are lead to malicious ones. The bogus sites, to which victims are redirected without their knowledge or consent, will likely look the same as a genuine site. But when users enter their login name and password, the information is captured by criminals.

Hacking

Hacker is the term often used to describe an outside person who penetrates a computer system. There are two types of hackers. White-Hat Hackers perform ethical hacking, doing test on their clients' systems so find the weak points, so that they can be fixed. Black-Hat Hackers also referred to as crackers, are the criminals. A Cracker is a malicious hacker, who may represent a serious problem for a corporation.

Identity Theft

A growing cybercrime problem is Identity Theft, in which a criminal (Identity thief) poses as someone else. The thief steals social security numbers and credit card numbers, usually obtained from Internet, to commit fraud (e.g. to buy products or consume services) that the victim may be required to pay for.

Salami Slicing

A program designed to siphon off small amount of money from a number of larger transactions, so the quantity taken is not readily apparent.

Trap Door

A technique that allows for breaking into program code, making it possible to insert additional instructions

Spoofing

Fake e-mail address or web page to trick users to provide information or send money. It's main purpose is to confuse the consumers in similar or fake website.

Password Cracker

It is a program that tries to guess passwords.

Cookies

Cookies are small text files placed on a user's computer when a website is accessed. They contain information sent by the website server to the user's browser. If desired, a web user can sometimes view cookies in the source code of the header of a web page. However, generally, the information collected is not displayed to the user, but is recorded, tracked, and stored by the user's computer and browser. If a user returns to the website, the user's web browser will send the previously stored information to the website. In this way, the cookies can tell the website that this is the same computer that was here some time ago, this tracking the movements of users of particular computers.

Generally speaking, cookies contain code or other data that uniquely identifies a user's computer; this enables the site to track and profile the user's activities on that site as well as other sites. The cookies itself may not contain personally identifying information, but the websites may know the identity of the user whose browser sends the cookie.

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 problemswhich could threaten the future of humanity itself."
James Martin

Time changes, and with time we are. The old order has changed yielding place to new, and we must have new need for the new hour. To keep pace with the countries of the West, born and bred in traditions of scientific and industrial progress, the underdeveloped countries must be themselves equipped with all the facilities enjoyed by the West under the concept of 'ONE WORLD'. While it is true that he, who runs, may find the principle of survival of the fittest illustrated right and left, it is equally true that he who runs alone may find himself in the wilderness. A single weak link in the body international, and off goes the chain. India, in turn, must fit in within the new pattern. This is particularly true of the monetary mechanism, where a considerable Lee-way has to be made up. E-Banking has become part and parcel of our modernlife.

However, the rights of consumers are not safe. In order to pave the way for the development of e-commerce and internationally acceptable level of legal uniformity and compatibility of rules and practices, the United Nations Commission on International Trade Law (UNCITRAL) established by the United Nations General Assembly in 1996, adopted the Model Law of Electronic Commerce in 1996. It intended to facilitate the use of EDI, e-mail, telegram, telex or telegraphy etc. etc., by providing standards by which their legal value can be assessed. In order to protect cybercrimes, India has enacted the Information Technology Act, 2000. The Information Technology Act, 2000 is regarded as Bible on Indian Cyber law; however, online banking frauds are not protected. Indirect protection is provided against the crimes of hacking, cracking, spoofing and online financial frauds. Therefore, it is need of time to enact strict laws for the protection of rights of consumers in e-Banking. The computer technology and legal texts must join hands for the protection of frauds in online world so that a healthy environment can be maintained for the growth of e-commerce in India.

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