1. INTRODUCTION:

Technological development has transformed the manual transactions of banking into electronic form of banking transaction. The reforms in financial sector were introduced in earlier 1990s. Private Sector banks e.g. ICICI bank, HDFC etc were the first to offer internet banking services in India, after that the foreign banks and public sector banks have started providing e-banking services to their customers. The e-banking has reduced the laborious paper works and which in turn has reduced the time for transacting banking transaction. There are various benefits of E-banking to the customers such as electronic transfer of fund, customer can access their account sitting at home or at office, the banking services are provided to customers 24X7 through use of Debit cards, Credit cards, Mobile banking, ATMs and internet banking, e-banking has made possible payments of bills online, e-banking has made possibility of online shopping. More and more people have started using e-banking services as there are lots of benefits. Banks have covered more than 70% of their business through e-banking.

Inspite of having so many be benefits, the technological development in banking sector has given rise to various problems. The various challenges faced while using e-banking services are operational risks, technological issues, security issues and legal issues. The various security issues faced are unauthorized access to data, data stealing by the hackers, causing data damage or loss by virus. The security issues can be resolved by using data encryption, use of cryptography, firewall, hardware and software controls, data capture and output controls, network security.

Reserve bank of India has given guidelines to be followed by all the banks in India providing e-banking services to name few like banks should have the security policy duly approved by the Board of directors, banks to introduce logical access control techniques like user ids, password or other biometric technologies, banks should use public key Infrastructure, attempt of guess password should be monitored by the security officer and many more. The awareness is needed to be created about the e-banking fraud and preventive steps to be taken by the banks and customers. Reserve Bank of India has interpreted that banking company was negligent in providing safe and secured e-banking services to their customers. Only banks of few states have
others haven’t implemented them fully. There is lack of implementation of the same adequately. Banks are developing at the cost of the customers.

Later on Information Technology Bill was introduced to cover various kinds of cyber crime and to give legal validity to digital signatures and Information Technology Act, 2000 was enacted. Information Technology Act came into existence in 2000 because there were constant offences committed by fraudsters. There are certain flaws in the Information Technology Act and it is not adequate enough also to control the e banking frauds. In 2008 there were certain amendments made in the Information Technology Act some new kinds of offences and punishments were inserted like compensation to be paid by body corporate for failure to protect data (Inserted vide ITAA 2006) where a body corporate, possessing, dealing or handling any sensitive personal data or information in a computer resource which it owns, controls or operates, is negligent in implementing and maintaining reasonable security practices and procedures and thereby causes wrongful loss or wrongful gain to any person and Punishment for identity theft. The amended act does not cover many more offences and the act is ambiguous, there is a problem of interpretation of provisions given and also jurisdiction and collection of evidence problem. Certain amendments were made in the existing acts such as Indian penal Code, Banker’s Book Evidence Act 1891 and Indian Evidence Act 1891. Overall laws are not adequate enough to serve better the victims of e-banking frauds.

Few Banks have tried to implement the preventive measures yet number of cyber crimes in banking sector are increasing every year which shows there are loop holes in laws enacted and amendments are needed to be made in order to have a safe and secured use of technology in the banking sector. There are only limited sections under Information Technology Act which are related to the cyber crimes in e banking sector. There is a need for amendment in the existing legislation to solve the problem of e-banking frauds. The existing rules are to be completely 100% implemented by all the banks which can help in prevention of e-banking frauds. Awareness about e-banking frauds and its effects along with the preventive measures to be taken by customers is needed to be made through various camping’s.
E banking frauds are increasing day by day with the development of the technology which is causing financial losses and affecting the Indian economy. E banking frauds in society still prevails whether developed, developing or under-developed. Banking frauds is not a current trend in Indian society. Banking frauds were existing since Kautilyas Arthashastras time those frauds were committed in the manual process of banking to reduce this E-banking was introduced but the fraudsters have found the way of committing fraud in the E-banking system also. There is an additional variety of offences committed in form of cyber crimes which relates to e banking frauds. As the fraudsters have found the way of stealing the data on line by hacking, cracking phishing which is used by them to commit the frauds. Before technology development takes place fraudsters find the way of committing the frauds. There are about 8,322 cyber fraud cases such as credit card frauds, internet banking frauds, ATM frauds, debit card frauds etc were registered in banks in 2012 there are many other e banking fraud cases that go unreported. Highest number of cases was reported in ICICI banks around 3,428 cases from private sector and IDBI bank from public sectors 87 cases. Mumbai is number one for banking frauds in the country. India ranks third after Japan and U.S in online malware attacks. Banks are reluctant in taking safety measures due to high cost, investigation of e- banking frauds cases is not properly done due to lack of knowledge and skill of investigators.

Despite having a legal protection, customers and banks are victims of e-banking frauds. From the above stated there cannot be any doubt about the subject under researcher will explain the situation sketch of India along with its relevance. There is an urgent need to deal with the consequences of e- banking frauds and this thesis can contribute in finding solutions for the current situation. The researcher aims to indicate to what extent the e-banking frauds are committed by fraudsters and the extent to which the lawmakers have paid attention to this issue. To what extend banks have implemented the laws and to what extent customers are aware about e-banking frauds and preventive measures to be taken and its importance. Many topics that are related to the issue of e-banking frauds and financial losses suffered by the victims have been subjected to the research. The thesis aims to contribute to increase and polish the law related knowledge available on various Acts and Legislations thus filling the theoretical Act. A critical analysis on the laws and legislations related to e banking frauds is essential in order to find a
solution on how to deal with the demographic issue that is taking place in large parts of India and cross the border.

Laws cannot be enforced in the absence of favorable consensus. The failure of strict implementation of laws, and to monitor e banking frauds, bears that out. If preventive steps are taken by banks and customers it will cause great financial losses to India and will affect the Indian economy so that fieldwork can search out problem oriented solutions that the lawmakers can adopt and fill the theoretical gaps accordingly.

Since ages the issue of banking frauds has continued. To eradicate completely may not be possible at the initial stage but can be prevented to certain extent by having preventive measures implemented.

The Banks are taking initiative to educate the customers regarding e banking frauds, by providing tips on preventive measures to be taken by them but, yet people at large are still not aware of such e-banking frauds as a result of which they are unable to understand the importance of preventive measures to be taken. There has been tremendous progress in technology to develop the nation and increase the economy of the country, but due to e-banking frauds there is slow growth in economy of the nation. The benefits of technological development are not used in the proper way on the contrary it is misused by the fraudsters to commit the offences. India has approximately thousands of cases unregistered due to various reasons.