

Unit 5 E-Banking

Meaning

Electronic Banking means of banking include electronically operated devices such as computers, ATM, etc. In addition Internet, telephone, mobile hand sets and other means are also a part of E-banking.

Services

1) Round the clock Banking

ATM or 24 hours teller are the electronic terminals that allow round the clock access to banking services.

2) Direct Deposit

E-banking makes possible direct deposit of cheques to the account on a regular basis.

3) Phone payment

Pay-by-phone systems enable banks and financial institutions to pay certain bills or to transfer funds between accounts.

4) PC Banking

Personal computer, Banking allows customer to handle many banking transaction through the personal computer.

5) Point - of - Sale Transfer

Point - of - Sale Transfer facilitates payment for purchase with a debit card, which also may be the ATM card.

6) Electronic cheques conversion

Electronic cheques conversion is a type of E-banking services provided by banks in foreign countries.

E-banking and financial services

Benefits to customers

more convenience

Better knowledge

wider range of products & service

lower cost of banking access

Access to virtual services in locations beyond the bank's normal operating base.

Benefits to Suppliers

1) large number of satisfied customer.

2) Possibility of attracting new customer

3) more scope to offer differential service.

4) Greater opportunity to cross-sell

5) opportunity for expanding banks.

6) opportunity for cost in developing technology.

7) opportunity for banks to deliver a dynamic range of virtual financial services.

8) Revenue potential through higher customer service charges for virtual delivery systems.

Initiatives:

1) Generic Architecture

The architecture conceives two concept such as 'true topology' and star topology

True topology - Branches reports to controlling offices and then to the head office. For older Banks. head

Star topology:

For new banks - connectivity between branches directly to head office

2) Infonet INFINET

Indian Financial net work established by the Institute for Development and Research in Banking technology, provides the networked environment as a closed user group networks to banks and financial institutions.

3) Payment System

Payment System using information technology tools is another area of initiative implemented by RBI. Introduction of magnetic Ink character Recognition, Real time Gross Settlement System RTGS.

4) NDS

RBI introduced a negotiated Dealing System (NDS) which provides for screen based trading of Government securities.

5) CIMS

To provide for movement of funds using the accounts maintained by the bank the RBI introduced centralized funds management System.

6) Centralised Data storage

Creation of centralized data storage with decentralised processing, resulting in initiatives such as any where Banking anytime Banking, shared networks etc.

7) Internet Banking :

Introduced effective usage of Internet Banking facility with proper security.

8) card usage

usage of cards especially Smart cards which can be used for access, security purpose by staff / authorised people.

Opportunities

1) Networking benefits :

Broadening the bank of computerisation to cover the activities at all branches and controlling office and to ensure that these computers are networked is a first set of activities, which banks have to make.

2) Emerging Services

Emergent of Services such as e-commerce and electronic data Interchange for inter connectivity of banks and their customers.

3) Computer Awareness

It help to accomplish greater level of computer awareness among staff by means of training.

Internet Banking:

Banking transaction that takes place in a virtual ambience on the website of a banking company or a financial institutions is termed as internet banking.

Internet Banking Vs Traditional Banking

The difference between Internet Banking and Traditional Banking is that in traditional banking the customer has to visit the branch in person for the basic needs, viz withdrawal or deposit of cash, transfer of funds, settlement of accounts etc.

In Internet Banking on the other hand these operations can be performed through the pc's without physically visiting the banks.

Major Advantages of Internet Banking:

Low cost of maintenance

convenient customer

Round the clock services

No personal visit to bank

Any where banking

Easy, efficient for customer and bankers

Services

Sending in request for a chequebook from the convenience of home.

Viewing accounting statement online

Notification of change of address so as to update the records.

Requesting for a draft online to be couriered at the mailing address specified by the customer.

Transferring funds between one account of the customer to another account of the same customer.

Viewing dealings of past 3 months transaction.

Updating ~~dealings~~ of foreign exchange currency rates.

Intimating online about a stop payment.

Notification of lost / stolen ATM cards.

Drawbacks of Internet Banking:

- 1) needs a computer

In order to use the internet banking services, the user needs a computer and time to log on to the website of the bank.

- 2) Restricted use

Another drawback of internet banking is that ^{it} is not possible that all transaction can be carried out electronically.

- 3) unreliable communication facility

The use of internet banking requires the use of uninterrupted tele communication.

- 4) Slow Browsing

Navigating around websites on home computer is often slow and frustrating.

- 5) Lack of Trust

The use of internet banking services depends much on the trust responded by the customers of the bank on internet banking initiative of the bank.

- 6) Absence of Validity

Absence of legal framework for recognizing the validity of banking transaction.

7) Safety problem

Security threats on the Internet leads to preparation of internet banking as an unsafe channel.

Internet Banking ~~Funds~~ Frauds

Internet banking frauds includes, malware, Social Engineering, distributed denial of Services, physical attacks etc.

malware

A kind of malicious software that includes viruses, worms, spyware and Trojan horses, among other.

Social Engineering

This refers to the infringement of organisational security by influencing employees into exposing confidential information.

Phishing

This involves drafting e-mails that attract recipients to visit a counterfeit website.

Denial of Services

This is an attempt to make a machine or a network resource available to its intended user and interrupt or suspend services.

Mobile Banking

The kind of banking and financial services that gives a real-time mobile access to customers on the move is called mobile banking. The service being offered through mobile.

usage of mobile Telephony

It is a part of e-commerce

Internet banking services

Technology based banking

Available only to the customer having account with any branch of particular bank that offers internet banking services.

Duly filled in application should be submitted.

Services

SMS Banking services

WAP Banking services.

Anywhere Banking:

Anywhere Banking, also known as anytime banking or digital banking, refers to the ability to access and manage bank accounts and financial services remotely from any location using digital channel like mobile apps, internet banking and ATMs.

Features

convenience

Accessibility

Security

Efficiency

cost-effectiveness.

any time banking:

Automatic Teller machine offer round the clock banking services to customer. This come as boon to those who cannot access banking services on normal working hours due to their nature of work. The benefits are innumerable where the banker is part of the common sharing facility called shared ATM.

Electronic mobile wallets:

Digital or Electronic wallet (e-wallet) refers to an electronic, internet based payment system which stores house for financial value as well as personal identity disclosed information.

Such Electronic payment system empowers a customer to pay online for the goods and services, including transferring funds to others, by using an incorporated hardware and software system.

ATM

Evolution

The invention of ATM is a milestone that has been achieved in the banking industry. In 1939, Luther George Simjian

invented a cash dispenser and it was first established by the City Bank of New York.

Later, in 1960 Scot John Shepherd-Barron invented the first ATM machine.

Barclays bank in London was the first to deploy an ATM in 1967.

Early times ATM were used only for cash withdrawal. Now the ATMs offer so many services.

Concept

Electronic equipment that allows cardholding customers to perform routine banking transaction without interacting with a human teller is called an 'Automated Teller machine'. Also called 'cash machine.' it offers a range of services of modern banking.

This machine is used to render certain essential banking functions such as deposit, taking cash withdrawal, account balance verification etc. with the help of a personal Identification Number (PIN) System.

Features

Anywhere Banking

Anytime Banking

Anything Banking

Safety

User Interface

Visual message

Swallowed cards

ATMs Security

Anywhere Banking

ATM can be installed at any place where public are largely assembled.

Anytime banking

It offers 24 hours round the clock

Services

Anything banking

Services such as cash withdrawal, balance enquiry, deposits, funds transfer etc. are offered.

User Interface

Organisation (who developed ATM) spend great efforts on the user interface. Increased speed of customer interaction.

Safety :

It is safe with electro-mechanical input & output system.

Visual message

ATM user interface of ATM is designed to ensure that the minimal required activities such as obtaining cash, obtaining receipt and retrieving the card etc.

Swallowed card

Machine swallows the card after a short period, normally about 30 seconds.

ATMs Security

ATM should provide for dispensing the required functions of to the bonetide and authorised user.

ATM types

Lobby ATMs

Through the wall ATM

Lobby ATM

These ATM are installed in branch lobbies of the concerned Bank.

Through the wall ATMs

ATMs there are installed in wide range of locations spread over the country and sometimes overseas too.

Electronic money

According to the European central bank, E-money is an electronic store of monetary value on a technical device used for making payment to undertakings other than the issuer without necessarily involving bank accounts in the transaction but acting as a prepaid bearer instrument.

Category

Electronic purse

Digital cash

E-wallet

Digital cash

Electronic purse

Electronic purse also called 'prepaid stored value card' typically uses a microprocessor chip embedded in a plastic card. The stored value card could be of three types. They are single-purpose card, closed system or limited purpose card and general purpose or multipurpose card. These cards are access cards.

Digital cash

Digital cash also called 'network money' typically uses specialized software installed in a personal computer. The computer networks such as Internet is used for this purpose.

E-wallet

Digital or Electronic wallet (e-wallet) refers to an electronic internet based payment system which is a store house for financial value as well as personal identity disclosed information.

The device that allows electronic transfer of funds from the user to the merchant establishment through a single touch of a button is known as 'Electronic mobile wallet'.

Digital cash

Digital cash also called 'network money' typically uses specialized software installed in a personal computer. The computer networks such as Internet is used for this purpose.

Electronic Fund Transfer System

EFT was launched by the Reserve Bank of India (RBI) in the year 1995.

The System allows for the ~~int~~ instantaneous transfer of funds between bank and among banks through the electronic mode.

The System was introduced with a view to modernizing the funds transfer mechanism within the country. RBI acts as an intermediary between the sending bank and the receiving bank and effect interbank fund transfer.

Meaning:

A method of fund transfer mechanism which facilitates transfer of funds between banks and users, is called Electronic fund Transfer.

Steps in EFT

- 1) making application
- 2) Data preparation
- 3) Data Transmission
- 4) Debiting Remitting Banks
- 5) Crediting Receiving Banks
- 6) Crediting Beneficiary.
- 7) Task at Service Branch
- 8) Task at Beneficiary Branch.

limit :

maximum limit on the amount of individual transaction permitted for fund transfer per transaction in Rs 5 lakhs.

Benefits

Efficient mode

Innovative products

Less workload

Real Time Gross Settlement

The RTGS can be defined as the continuous (real time) Settlement of funds transfer individually on an order-by-order basis (without netting).

The term 'Real Time' means the processing of instructions at the same time as they are received without any waiting.

The term ~~gross~~ Gross Settlement of funds transfer based on the instructions of the individual customers.

In this type of funds transfer there is no waiting time as settlements are made in real time. The customer can add the detail of the beneficiary and when once the beneficiary amount is activated, money transfer can be made.

Request for funds transfer can be given only through net Banking and banks usually do not allow any RTGS transaction on bank holidays and Sunday.

National Electronic Fund Transfer (NEFT)

National Electronic Fund Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with the ~~country~~ any other bank branch in the country participating the scheme. You can transfer funds and make credit card payment to any bank across India.

RTGS Vs NEFT

Individual Settlement

In the case of NEFT, electronic funds transfer is done individually under the deferred net settlement (DNS) basis which settles transaction in batches and there is 'netting' of transaction, funds are transferred on an instruction by instruction basis.

In RTGS, transaction are processed and settled continuously and there is no netting of transaction.

Size of Transaction

RTGS is primarily meant for large value transaction the minimum amount to be remitted through RTGS being Rs 2 lakh and there is no upper limit for RTGS transaction. NEFT is applicable for small value transaction of less than Rs 2 lakh. The RTGS facility is offered by select branches of banks.

Transaction Time

RTGS ensures funds transfer in real time mode and there is no waiting. In the case of NEFT, funds are transferred to the beneficiary account only, during appointed hour of the day.

Information to be provided

The information required to be provided by the remitting customer of a bank both under the RTGS and under NEFT includes name of the beneficiary customer, remitting customer's account number, amount to be remitted, name of the beneficiary bank and branch, sender to receiver information.

Merits of E-money:

convenience and Accessibility

Speed and Efficiency

Enhanced Security

Reduced costs

Improved Record keeping

Global Reach and Accessibility

Environmental Benefits.

Real Time Gross Settlement

Steps

Go to the Internet Banking



click on 'Transfer option'



Select 'Other Bank RTGS'



click on 'Registrar Beneficiary'



fill Beneficiary detail and click on
"Add payee"



Receive tracker in via sms to the registered
mobile number



Enter in transfer page again and click on
'confirm Beneficiary'



put the tracker in and click on
submit



confirm beneficiary and click on Approve

↓
Enter Transfer page and click on 'Transfer'

↓
fill the respective fields like pay to
payment etc 'Bill payment account number'
for making RTGS payment and click on "pay".

↓
Enter the user id and Transaction password
and click on "OK".

↓
See the transaction cyber receipt (user can
print this receipt)

↓
funds will be Successfully transferred
through RTGS.

Monetary policy

Monetary policy is a macroeconomic
policy tool used by central banks to
manage the money supply and interest
rates to influence economic activity and
achieve goals like price stability and
full employment.

Key aspects

Objective

To manage money supply and interest rates to influence economic activity and achieve macroeconomic objectives.

Tools used in monetary policy

Interest rates

Central bank adjust the interest rate. They charge commercial banks for borrowings funds, influencing borrowing costs and economic activity.

Reserve requirements

Banks are required to hold a certain percentage of deposits as reserves.

Open market operations

Central banks buy or sell government securities to influence the money supply and interest rates.

Expansionary Vs Contractionary

Expansionary

Monetary policy can be used as expansionary during economic downturns to stimulate growth by lowering interest rates and increasing the money supply.

Contractionary:

used to
inhibit sales and
supply
prevent inflation by raising
prices on business