

Department of Commerce (CA)

ALLIED PAPER-II BANKING THEORY LAW AD PRACTICES.

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B.COM(CA)**

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UNIT 5:

E-Banking- Forms of E-Banking- Automated Teller Machine (ATM), Credit cards, Debit cards and Electronic Fund Transfer- Bank Deposits and various Deposits schemes.

REFERENCE BOOK:

- BANKING LAW AND PRACTICE- P. N. VARSHNEY
- A TEXT BOOK OF BANKING – RADHASWAMY AND VASUDEVAN
- BANKING THEORY LAW AND PRACTICES- GORDON AND NATARAJAN
- INDIAN BANKING – PARAMESHWARAN AND NATARAJAN
- BANKING THEORY LAW AND PRACTICES- SANTHANAM.

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Unit -5

E- BANKING (ELECTRONIC BANKING)

MEANING :

E-BANKING means virtual banking.

It is a system to allow customer of the bank to undertake all the financial transaction through computerized system.

An account holder can manage their account without going to business.

DEFINITION :

“ A method of banking in which the customer conducts transaction electronically via the internet”.

WHAT IS E- BANKING ?

Internet banking allows customers of a financial institution to conduct various financial transactions on a secure website operated by the banking institutions . This is a very fast and convenient way of performing any banking transactions .

It enables customers of a bank to conduct a wide range of financial transaction through its websites.

ADVANTAGES :

1. The cost of operation per unit of services is lower for banks.

2. Offers convenience to customers since they are not required to go to the bank's facilities.
3. There is a very low incidence of errors.
4. The customer can obtain funds at any time from ATM.
5. Credit cards and debit cards allow customers to get discounts at points of sale.
6. The customer can easily transfer the funds from one place to another place electronically.
7. The payments are made at the convenience of the account holder and are secured by user name and password.
8. It does not need installing any additional software.

DISADVANTAGES :

1. Savings and credit cooperatives , and in particular small local cooperatives , strive to match the level of convenience (ATM's and branches) that many banks offer their customer ,although many are part of shared networks that increase channels available to its members.
2. Some credit units are limited in their product offerings .
3. One must qualify for membership.
4. One must pay a membership fee to join .

FEATURES OF E – BANKING :

1. FASTER TRANSACTION:

Save the time.

2. LOWERS TRANSACTION COST:

Cheapest medium of doing transactions.

3. PROVIDES 24*7 SERVICE:

All time access facility to their accounts .

4. REDUCES THE CHANCES OF ERRORS

Reduce the chances of human error , automated over interest , transaction are recorded and stored digitally.

5.DEVELOPS LOYALTY IN CUSTOMERS :

Helps banks to develop large number of loyal customers ,they serve their customer as well.

6. REMOVES GEOGRAPHICAL BARRIERS :

Removed all distance barriers for performing transactions.

7.PROVIDES BETTER PRODUCTIVITY :

Increasing the productivity of business , financial transaction system supported by automated software system. It increases the overall productivity of businesses.

8.REDUCE FRAUDS IN TRANSACTIONS :

It helps in continuously monitoring of accounts , can easily track each and every transaction of your accounts , provides a complete digital footprint of all those who can modify your banking activities and commit fraud .

FORMS OF E BANKING :

- ❖ ATM
- ❖ CREDIT CARD
- ❖ DEBIT CARD
- ❖ ELECTRONIC FUND TRANSFER – RTGS

ATM : (AUTOMATED TELLER MACHINE)

The first ATM was set up in June 1967 on a street in enfield ,London at a branch of Barclays bank. A British inventor named john Adrian shepherd barron is credited with its invention .

The first ATM in India was set up in 1987 by HSBC in Mumbai.

ATM :

An Automated teller machine or Automatic teller machine is an electronic computerized telecommunications device that allows a financial institutions customers to directly use a secure method of communication to access

their bank accounts , order (or) make cash withdrawals and check their account balances without the need for a human bank teller .

ADVANTAGES :

1. Withdrawing money .
2. Checking how much money is remaining in the account .
3. ATM provides banking services to its customers round 24 hours , 7 days and 365 days a year.
4. Expansion of service to any corner of the world of the banks can expand their services to any corner of the world by providing electronic access to its customers .
5. Access to bank from any part of the world .Essential banking services like deposits , withdrawals , transfer of funds etc... Can be accessed by customers from any part of the world.

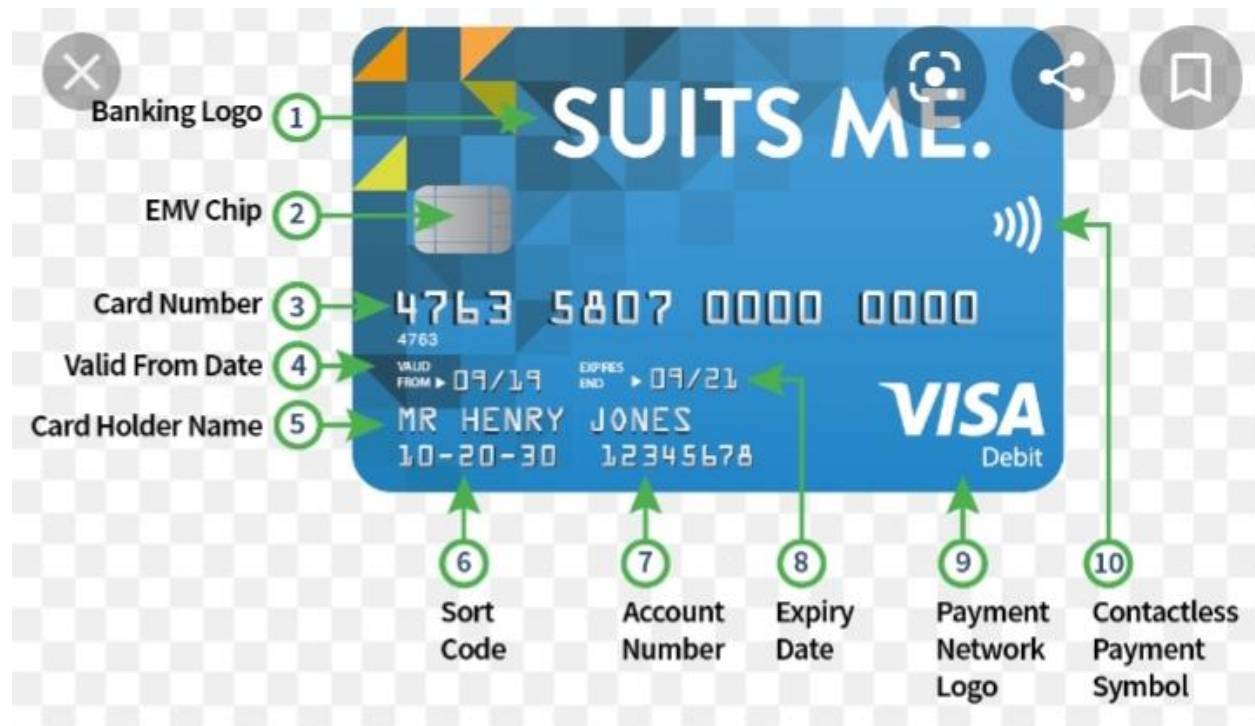
DISADVANTAGES :

1. If any problem with credit card you cannot withdraw your money .
2. If someone watches or hacks an ATM machine your details may be taken if you forgot your pin number you cannot use the card .
3. Limitation of cash withdrawals : Again there is limitation of cash withdrawals from ATM .
4. Possibility of misusing ATM card : ATM card , If misplace , lost or stolen , may be misused .There are number of such reporter incidences now a day
5. Loss of personal touch with the banks : But also ; customers loose personal touch with their bankers.

DEBIT CARD :

- ❖ It is a payment card that reduces money from a person's account directly for which payment is made for a purchase .
- ❖ It reduces the work to carry the cash to make purchases directly from your savings .
- ❖ Debit card transactions are immediately transferred from card holders account . Nowadays debit cards has became so widespread.
- ❖ Debit card and credit card are similar in their physical properties.

ANATOMY OF DEBIT CARD :



3 WAYS OF PROCESSING DEBIT CARD TRANSACTIONS :

1. EFTPOS (ONLINE DEBIT OR PIN DEBIT) :

Electronic funds transfer at point of sale. It is an electronic device that transfers funds from one account to another account.

2. OFFLINE DEBIT (SIGNATURE DEBIT) :

It is a type of automated payment card that allows to pay goods and services directly from a bank account, which is also known as "check cards".

3. ELECTRONIC PURSE CARD SYSTEM :

It is a store of value on a card which is used similar to cash to pay for travel and other small transactions .

Debit cards have daily purchase limit . large purchase is not possible .

Some debit cards offer reward programs like credit cards such as 1% back on all purchases.

ADVANTAGES :

1. AVOID FEES AND SERVICE CHARGES :

Unlike credit cards , annual fees, late payment charges , foreign transaction fee up to 3 % . Debit cards have no fees attached .

2. STAY ACCOUNTABLE (responsible) FOR YOUR SPENDING :

Real – time payment holds you accountable to spend no more than you actually have in your account .

DISADVANTAGES :

1. NO GRACE PERIOD :

Immediate funds are transferred during a purchase . So there is a no chance of borrowing money . So no grace period for payment is allowed .

2. FEES :

Using the debit card at an ATM which is not affiliated with your bank will cost in fee .

3. ADDITIONAL FEES ON ATM WITHDRAWALS:

All banks offers us a limited number of free ATM transactions per month. Once the limit is exceeded , the free withdrawals requires a fee charge.

4. SECURITY:

Debit cards are secured one because no one can operate the card without PIN (Personal identification number). Recent addition of chips in debit cards gives additional production .

5. NO INTEREST CHARGES:

As credit cards are known for high interest rates , debit cards are best reason to use. When we pay with debit card, it makes us to avoid expensive interest charges.

CREDIT CARDS :

- ❖ A Credit card is a thin rectangular piece of plastic or metal card issued by bank to customers and other eligible persons .
- ❖ With this card the holder can purchase goods and services on credit (without cash) at any shop in India .
- ❖ If the dues are paid within the stipulated time no interest is charged .
- ❖ The credit limit is fixed by the issuing bank based on the income of the cardholder .
- ❖ Credit card is the most common form of electronic payment .
- ❖ Credit cards are usually small plastic cards with a unique number attached to an account.

EXAMPLE :

A Master card , visa , rupay card .

ANATOMY OF CREDIT CARD :



ADVANTAGES :

- ❖ Most credit cards are accepted worldwide .
- ❖ It is not necessary to pay physical money at the time of purchase .
- ❖ The customer gets an extra period to pay the purchase .
- ❖ Allows purchases over the internet in installments.

DISADVANTAGES :

- ❖ Established credit – worthiness needed before getting a credit card .
- ❖ Encouraging impulsive and unnecessary “wanted” purchase .
- ❖ High – interest rates is not paid in full by the due date .
- ❖ Annual fees for some credit cards can become expensive over the years .
- ❖ Fee charged for late payments .



RTGS (REAL TIME GROSS SETTLEMENT) :

1. It is an abbreviation for Real Time Gross Settlement .
2. These transactions are settled on real time basis (fast) .
3. It was launched by RBI in 2013 .
4. Transactions takes place between one bank to another bank.
5. This type of payments are generally for large value payments. (high volume transactions).
6. It is recognized and maintain by RBI .
7. It's facility is available between 9 am to 4.30 pm or weekdays and till 1.30 pm on Saturday .
8. Transfer payments are not allowed on Sundays and bank holidays.
9. Minimum limit for RTGS transaction is 2 lakhs .
10. Its transactions are safe and secure system for fund transfer .
11. It was also called as push payments that are initiated by the payer.

ITS TRANSACTIONS ARE :

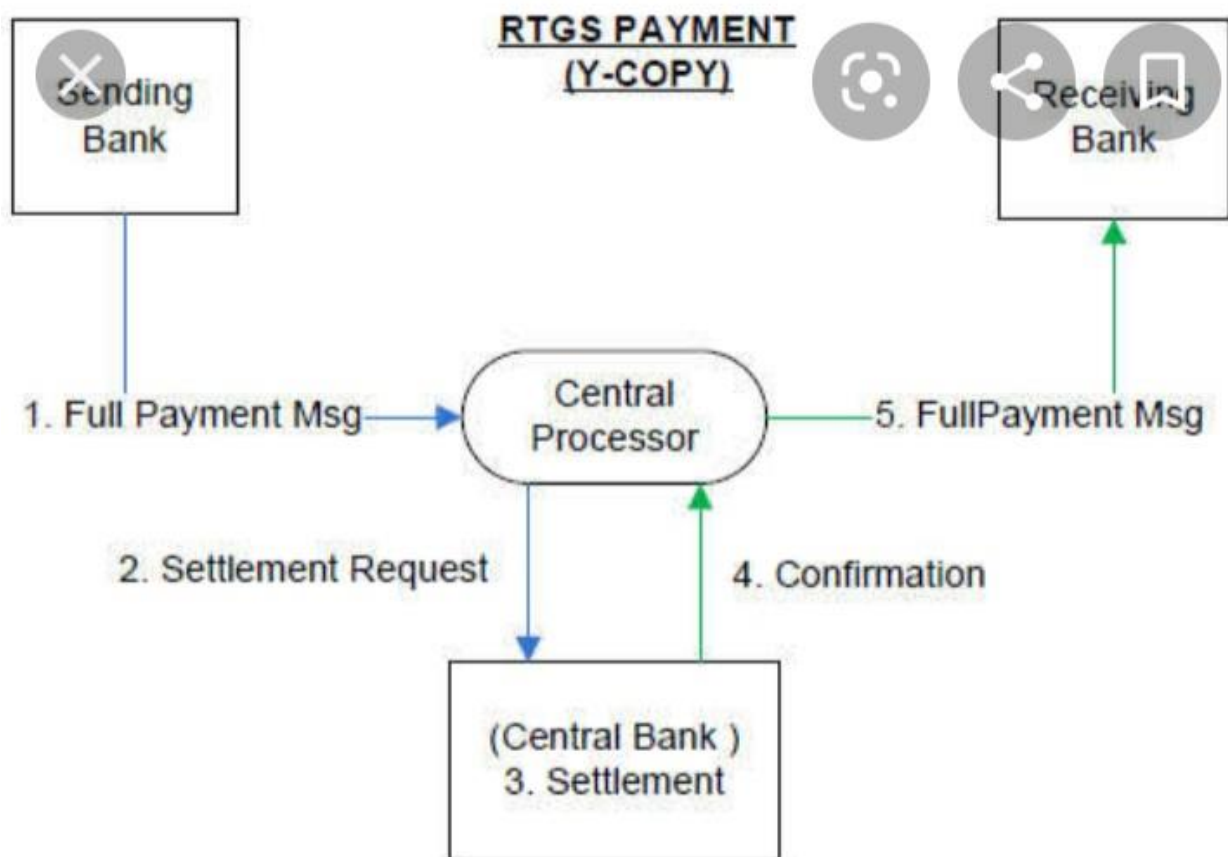
1. UNCONDITIONAL :

The beneficiary will receive funds unconditionally and that fulfills the user's obligations.

2. IRREVOCABLE :

A correctly processed transaction cannot be reversed and its money cannot get refunded .

RTGS :



ADVANTAGES :

- ❖ Fund transfer are processed individually on an basis.
- ❖ Fastest and most secure.
- ❖ Fund can be transferred by an individual from one bank to another bank within India or an immediate basis.

DISADVANTAGES:

- ❖ The main disadvantage of RTGS is that the gross system has the gridlock risk that do not have enough money .

EFT (ELECTRONIC FUND TRANSFER) :

1. It is an abbreviation for Electronic Fund Transfer .
2. It is an electronic transfer of money over an online network ,no need for paper documents.
3. The amount sent from the sender's bank branch is credited to the receiver's bank branch on the same day in batches.
4. It saves the effort of sending demand draft through post and the inherent delay in searching the money to the receiver.
5. EFT is a widely used method for moving funds from one account to another in B2B business models.
6. Bank may charge commission for using the service .

EXAMPLE :

ATM (Automatic Teller Machine).

Direct Deposit Payroll System.

ADVANTAGES :

1. It is fast and efficient .
2. Funds get transferred from one account to another account very fast .

3. It can also manage and provide faster access to funds .



DISADVANTAGES :

- Process cannot be reversed if a sender enters an incorrect account number .
- Potential for hacking of personal banking details.
- Periodic technical difficulties which makes into more risk.