

DEPARTMENT OF COMMERCE (CA)
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E-Banking-Forms of E-Banking-ATM-Credit Card-Debit Cards-EFT.

E-BANKING

Definition

Electronic banking, also known as electronic funds transfer (EFT), is simply the use of electronic means to transfer funds directly from one account to another, rather than by cheque or cash.

VARIOUS FORMS OF E-BANKING:

INTERNET BANKING:

Internet Banking lets you handle many banking transactions via your personal computer. For instance, you may use your computer to view your account balance, request transfers between accounts, and pay bills electronically.

Internet banking system and method in which a personal computer is connected by a network service provider directly to a host computer system of a bank such that customer service requests can be processed automatically without need for intervention by customer service representatives. The system is capable of distinguishing between those customer service requests which are capable of automated fulfillment and those requests which require handling by a customer service representative. The system is integrated with the host computer system of the bank so that the remote banking customer can access other automated services of the bank. The method of the invention includes the steps of inputting a customer banking request from among a menu of banking requests at a remote personnel computer; transmitting the banking requests to a host computer over a network; receiving the request at the host computer; identifying the type of customer banking request received; automatic logging of the service request, comparing the received request to a stored table of request types, each of the request types having an attribute to indicate whether the request type is capable of being fulfilled by a customer service representative or by an automated system; and, depending upon the attribute, directing the request either to a queue for handling by a customer service representative or to a queue for processing by an automated system.

AUTOMATED TELLER MACHINES (ATM):

An unattended electronic machine in a public place, connected to a data system and related equipment and activated by a bank customer to obtain cash withdrawals and other banking services. Also called automatic teller machine, cash machine; Also called money machine.

An **automated teller machine** or **automatic teller machine (ATM)** is an electronic computerized telecommunications device that allows a financial institution's customers to directly use a secure method of communication to access their bank accounts, order or make cash withdrawals (or cash advances using a credit card) and check their account balances without the need for a human bank teller (or cashier in the UK). Many ATMs also allow people to deposit cash or cheques, transfer money between their bank accounts, top up their mobile phones' pre-paid accounts or even buy postage stamps.

On most modern ATMs, the customer identifies him or herself by inserting a plastic card with a magnetic stripe or a plastic smartcard with a chip, that contains his or her account number.

The customer then verifies their identity by entering a passcode, often referred to as a **PIN** (**P**ersonal **I**dentification **N**umber) of four or more digits. Upon successful entry of the PIN, the customer may perform a transaction.

If the number is entered incorrectly several times in a row (usually three attempts per card insertion), some ATMs will attempt retain the card as a security precaution to prevent an unauthorised user from discovering the PIN by guesswork. Captured cards are often destroyed if the ATM owner is not the card issuing bank, as non- customer's identities cannot be reliably confirmed.

The Indian market today has approximately more than 17,000 ATM's.

TELE BANKING:

Undertaking a host of banking related services including financial transactions from the convenience of customers chosen place anywhere across the GLOBE and any time of date and night has now been made possible by introducing on-line Telebanking services. By dialing the given Telebanking number through a landline or a mobile from anywhere, the customer can access his account and by following the user-friendly menu, entire banking can be done through Interactive Voice Response (IVR) system. With sufficient numbers of hunting lines made available, customer call will hardly fail. The system is bi-lingual and has following facilities offered

Automatic balance voice out for the default account.

Balance inquiry and transaction inquiry in all

Inquiry of all term deposit account

Statement of account by Fax, e-mail or ordinary mail.

Cheque book request

Stop payment which is on-line and instantaneous

Transfer of funds with CBS which is automatic and instantaneous
Utility Bill Payments

Renewal of term deposit which is automatic and instantaneous
Voice out of last five transactions.

SMART CARD:

A smart card usually contains an embedded 8-bit microprocessor (a kind of computer chip). The microprocessor is under a contact pad on one side of the card. Think of the microprocessor as replacing the usual magnetic stripe present on a credit card or debit card. The microprocessor on the smart card is there for security. The host computer and card reader actually "talk" to the

microprocessor. The microprocessor enforces access to the data on the card.

The chips in these cards are capable of many kinds of transactions. For example, a person could make purchases from their credit account, debit account or from a stored account value that's reload able. The enhanced memory and processing capacity of the smart card is many times that of traditional magnetic-stripe cards and can accommodate several different applications on a single card. It can also hold identification information, which means no more shuffling through cards in the wallet to find the right one -- the Smart Card will be the only one needed.

Smart cards can also be used with a smart card reader attachment to a personal computer to authenticate a user.

Smart cards are much more popular in Europe than in the U.S. In Europe the health insurance and banking industries use smart cards extensively. Every German citizen has a smart card for health insurance. Even though smart cards have been around in their modern form for at least a decade, they are just starting to take off in the U.S.

DEBIT CARD

Debit cards are also known as check cards. Debit cards look like credit cards or ATM (automated teller machine) cards, but operate like cash or a personal check. Debit cards are different from credit cards. While a credit card is a way to "pay later," a debit card is a way to "pay now." When you use a debit card, your money is quickly deducted from your checking or savings account.

Debit cards are accepted at many locations, including grocery stores, retail stores, gasoline stations, and restaurants. You can use your card anywhere merchants display your card's brand name or logo. They offer an alternative to carrying a checkbook or cash.

E-CHEQUE

An e-Cheque is the electronic version or representation of paper cheque.

The Information and Legal Framework on the E-Cheque is the same as that of the paper cheque's.

It can now be used in place of paper cheques to do any and all remote transactions.

An E-cheque work the same way a cheque does, the cheque writer "writes" the e-Cheque using one of many types of electronic devices and "gives" the e-Cheque to the payee electronically. The payee "deposits" the Electronic Cheque receives credit, and the payee's bank "clears" the e-Cheque to the paying bank. The paying bank validates the e-Cheque and then "charges" the check writer's account for the check

OTHER FORMS OF ELECTRONIC BANKING

1. Direct Deposit
2. Electronic Bill Payment
3. Electronic Check Conversion
4. Stored value card etc.

ADVANTAGES OF E-BANKING

1.Round the Clock Banking

E-banking ensures the round the clock banking transactions to customers. Customers can avail banking facilities for 24hrs in a day, 7 days in a week and 365 days in a year. No restricted working hours are provided by bank to its customers.

2.Convenient Banking

There is no need of personal visit of customer to branch in e-banking. Customer can conduct banking transaction from his home or office. It helps to increase the customer convenience.

3.Low cost Banking Service

E-banking helps in reducing the operational costs of banking services. Better quality services can be ensured at low cost.

4.Profitable Banking

Bank can perform various quality services such as online trading, online shopping, online tax payment, online railway reservation etc. apart from basic banking activities.

5.Quality Services

E-banking helps the bank to provide efficient, economic and quality service to the customers. It helps the bank to create new customer and retaining existing customers successfully.

6.Speed Banking

E-banking assists in increasing the speed of response to customer requirements. It leads to greater customer satisfaction.

DISADVANTAGES OF E-BANKING

1.High Start-up Cost

E-banking requires high initial start-up cost. It includes internet installation cost, cost of advanced hardware, software, modem, computers, cost of maintenance of all computer equipment's.

2.Training and maintenance

E-banking activities require 24 hours supportive environment, support of qualified staff. Bank has to spend a lot on training to its employees.

3.Lack of professionalism

There is shortage of web developers content providers and knowledgeable professionals to perform banking activities through internet.

4.Security

Many problems of security are involved in paperless banking activities. There is always a chance distortion of information

5.Restricted Business

All banking transaction cannot be performed electronically. Many banking activities require personal visit of customer.

6.Credit card

Credit card is a card issued by a financial institution authorizing the holder to buy goods or services on

credit. Credit cards usually charge high interests and are used for short-term financing. Interests usually start one month after a purchase is made and bank sets credit limits according to the client's credit rating.

Types of credit cards

1. Standard Credit Card is the most commonly used card which allows to use money up to a certain limit. If your balance is outstanding, you will get a penalty charge.

2. Reward Credit Card has a much higher bank account and fees and give some advantages such as reward points, cashbacks and other rewards.

3. Secured Credit Card are great for establishing or rebuilding your credit history. However, it requires a security deposit, which is held as collateral for your account. The credit limit is based on the amount of deposit and may be the same amount or larger.

4. Limited Purpose Credit Card has some limitations to its use and must be used only for particular applications. This is used for establishing small credits such as gas credits and credit at stores.

Advantages of credit card

- If you need to buy something expensive that you can't afford to pay for all at once, a credit card is a solution for you.
- Because of its wide spread acceptance, you can use them practically everywhere, especially abroad.
- It can be used to buy goods and services over the phone and online.
- Credit card can save you time and trouble, as you don't need to search for an ATM or carry cash.
- It can provide financial help in the event of an emergency.
- It will be very helpful in building your credit history.
- Some cards even offer cashback, loyalty points and other numerous rewards.
- You will monitor your financial activities and track your expenses.
- Some credit cards offer 0% periods meaning you can have free loan.

Disadvantages of credit card

- The main disadvantage to credit card usage is its high interests and fees.
- It is very easy to spend beyond your means.
- In order not to be overcharged, you should save your receipts and check them against your statement each month.
- Low introductory rates may be an attractive option, but you should not forget that they last only for a limited time.
- Acquiring too much credit card debt can ruin your credit score.
- Credit card fraud is a possibility.

Electronic Funds Transfer (EFT)

Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name etc. should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries' account correctly and faster. RBI is the service provider of EFT

Reference

1. Banking Theory, Law and Practice- E. Gordon and K. Natarajan

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