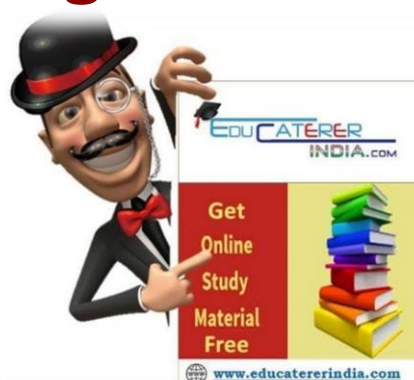


UNIT 1 - Electronic Banking in India - Everything You Need to Know



Electronic banking in India, also known as Electronic Funds Transfer (EFT), is simply the use of electronic media to transfer funds directly from one account to another, rather than by cheque or cash or any other modes of transactions without involving any Electronic means.

Direct Deposit and Withdrawal Services

This facility allowed by Bank/Financial Institutional to their customers to authorise specific deposits, such as pay-cheque or social security cheque, to their accounts on a regular basis.

Payment by Phone Systems

This facility allowed by Bank/Financial Institutional to their customers to pay certain bills or to transfer funds between account.

Point-of-Sale Transfer Terminals (POS)

In this facility, Bank/Financial Institutions allow their customers to pay for a retail purchase with a check card, a new name for the debit card. This card looks like a credit card, but with a substantial difference- the money, for the purchase is transferred immediately from one's account to

the store's account. To use Plastic Cards/Debit Cards/Credit Cards/ Smart Card for the purchase of an item or for payment of a service at a merchant's store, the card has to be swiped in a terminal known as Point of Sale or POS terminal kept at the merchant's store. A Point of Sale (POS) terminal is an integrated Personal Computer based device, with a monitor, POS keyboard. POS printer. Customer Display, Magnetic Swipe Reader and an electronic cash drawer all rolled in one unit. However, the POS terminal refers to the hardware and software used for checkouts.

PC based Banking Services

It offered by Bank/ Financial Institutions to their Customers, the convenience of conducting many banking transactions electronically using a personal computer or Laptop through an internet.

Internet Banking

In this facility, Banks/ Any Financial Institutions allows setting various access levels for specific user groups and controlling the authorisation levels and transaction limits, as assigned to various employees of your company.

Home Banking

This facility offered by Bank/ Financial Institutions to their customers the practice of conducting banking transactions from home itself rather than at Banks branches. Home banking generally refers to either banking over the telephone or on the internet.

Smart Cards

It sometimes called stored-value cards, have a specific amount of credit embedded electronically in the card.

Direct Deposit System

It is also termed as direct credit, It is a banking term that describes a deposit of money directly from the source into one's bank account, by electronic funds transfer (EFT) or other means where the payment is initiated by the payer, not the payee. The money is transferred directly to the recipient bank accounts through a payment system.

Mobile Banking

It is a system that allows customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone or personal digital assistant. Some banks have started offering mobile banking and telebanking to customers. The operative guidelines for banks on Mobile Banking Transactions in India were issued on 8th October, 2008. Only banks who have received one-time approval from the RBI are permitted to provide this facility to customers.

The Indian Financial Network [INFINET]

It is the communication backbone for the Indian Banking and Financial Sector. All habits In the public sectors, private sectors, co-operative sectors etc. and the premier financial institutions in the country are eligible to become members of the INFINET.

Recent Trends in Banking Systems

E-Banking / Online Banking / Internet Banking / Mobile Banking:

E-Banking refers to electronic banking. It is like business through electronic media through internet or mobile in the banking industry. E-Banking is also called as “Virtual Banking” or “Online Banking”. E-Banking is the result of the growing expectations of banks customers. E-Banking involves information technology based banking.

Popular Services Covered Under E-Banking:

- ATM
- Credit Card
- Debit Card
- Smart Card
- Electronic Fund Transfer System (EFT)
- Cheque Truncation System
- Mobile Banking
- Internet Banking
- Telephone Banking

Virtual Banking

It is a bank with a very small or non-existent branch network. It offers its financial services through various channels like:

1. Telephone banking
2. Online banking
3. Automated teller machines
4. Mail banking
5. Mobile banking

By eliminating the costs associated with retail banking particularly bank branches, virtual banks may offer higher interest rates and lower service charges on their saving accounts than their competitors.

Automated Teller Machine (ATM)

It is designed to perform the most important function of a bank. It is operated by a plastic card with its special features. The plastic card has replaced cheque, personal attendance of the customer, banking hours restrictions and paper-based verification. These are debit cards. ATMs are used as a springboard for Electronic Fund Transfer. ATM itself can provide information about customers account and also receive instructions from customers ATM cardholders. An ATM is an Electronic

Fund transfer terminal capable of handling cash deposits. transfer between accounts, balance enquiries cash Withdrawals and pay bills.

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