**Electronic Clearance and Settlement System**

**EFT (Electronic Fund Transfer)**

EFT facility is used to transfer money from one customer’s account to another, within the same bank or across multiple banks, with the use of internet service. It also deals with electronic bill payment in online banking.

Different payment systems covered under EFT-

* **RTGS (Real Time Gross Settlement) –**This payment system is used for immediate settlement of cost. In this system, instant transaction settlement is possible due toposting the gross i.e. complete entry against electronic accounts with the use of online banking facility. It uses international banking network such as SWIFT(society for worldwide interbank financial telecommunication). It is responsible for sending and receiving information in a secured and standardized and reliable environment. e.g. Central bank wire transfer system, US- Federal Reserve’s fed wire system.
* **NEFT (National Electronic Fund Transfer) -**In this system, electronic messageis used to transfer the funds. This system works in a batch of transactions. It takes some time to complete the transactions according to the batch it belongs to.With this system, customer can easily and securely transfers the funds on one-one basis.
* **IMPS (Interbank Mobile Payment Service/Immediate Payment Service) -**IMPS is the abbreviation of Immediate Payment Service. It is an interbank electronic instant mobile money transfer service through mobile phones or by login into internet banking. IMPS service helps to access the Bank Account and transfer funds by using internet banking or mobile App or swipped in debit or card at ATM centre. The beneficiary account is credited immediately when a Fund Transfer request is made through your Mobile phone / Internet Banking. This service is available 24x7, throughout the year including Sundays and any bank holiday.

**Difference between NEFT, RTGS and IMPS**

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|  | NEFT | RTGS | IMPS |
| Meaning | NEFT (National Electronic Funds Transfer) | RTGS(Real Time Gross Settlement) | IMPS (Interbank Mobile Payment Service/Immediate Payment Service) |
| Maintained by  | Reserve Bank of India | Reserve Bank of India | National Payments Corporation of India |
| Min amount to transfer  | No limit | Rs. 200,000 | No Limit |
| Max. Limit | Rs. 500,000 | Rs. 500,000 | Rs. 500,000 |
| Timings | 8AM to 6:30PM  on weekdays and 8AM to 12:30PM on Saturday | 9AM and 4:30PM on weekdays and 9AM and 1:30 PM on Saturdays | No Time limit. Available 24\*7, even on holidays also. |

**ECS-Electronic Clearing Service-**

In this type of service, individual customer or company/organization can transfer the funds to other customer or company/organization account with online banking system. This system deals with large number of people.

There are two types of clearing systems under ECS-

**Debit clearing service-**This system is also known as many - one payment system. It involves a single credit and multiple debits. Generally this method is used for small value payments from individuals to companies or big organizations. For example, payment of monthly telephone bill, electricity bill, LIC premium, SIP investments etc. Customer needs to fill up a prescribed form with the bank use debit clearing service.

**Credit clearing service-**This system is also known as one - many payment system. In this system, a single user wishes to transfer funds to multiple users account. It involves multiple credits and a single debit. These payments are made on a timely basis like, monthly, half yearly, yearly etc. For example, payment of salaries, dividends, commissions etc.

**Difference Between Traditional Banking and Electronic Banking**

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| --- | --- | --- |
| Basis  | Traditional Banking | Electronic Banking |
| Physical existence  | Under this system, banks physically exist for serving their customers. | Under this system, banks do not have physicalpresence .It provides online services to their customer.  |
| Time  | This is time consuming system, as customer needs to visit banks time to time to check their balances, to deposit cash , withdraw cash , transfer money to fixed deposit account, loan procedures etc.  | This is not time consuming system , on one click customer can access their account from anytime, anywhere through phone banking, internet banking and by visiting ATM centres, whenever necessary. |
| Accessibility | Customers can visit the banks only during the working hours of the banks. they can withdraw money from bank, where they have account with that bank.  | Under this system ,accessibility of bank is 365\*24\*7. From anytime , from anywhere, customer can access their account. From any Banks' ATM, customers can withdraw their money.  |
| Security | Traditional banking does not confront e-security threats. | Electronic banking is the alluring target for hackers. Security is one of the problems faced by customers in accessing accounts through internet. |
| Control  | Those customers often travel from one place to another place, and cannot pay attention to their accounts. | Customer can have control on their accounts. They can pay better attention to their accounts as they can access the accounts from any time, from anywhere. |
| Cost  | It includes lots of operating and fixed cost. It requires number of employees to take care of various accounts in the bank.  | It does not involve more fixed cost and operating expenses as compared to traditional banking system . Electronic banking system does not have physical existence. |
| Customer service  | Under this system, employees of the banks can attend few customers at a time, and unable to solve all the queries of their customer within few minutes.  | Under this system, customer can get all the answers to their queries. Bank employees (customer care executives) can solve the queries of their customers in few minutes through phone calls, video chats etc.  |
| Contact  | Only face to face to contact. | Under this system, there is virtual contact.  |

**WAP Banking**

WAP means Wireless Application Protocol. WAP banking means accessing banking facilities by using GPRS enabled mobile phones. WAP Banking is nothing but mobile banking access through a mobile site from the phone browser. WAP banking is similar to mobile banking application. Instead of installing the app from Play store (android based phones) or App store(i-phone /MAC system), a customer can access WAP banking through Phone browser. All services available on the app are also available on WAP.

**Discuss various challenges of electronic banking.**

 **Challenges of Electronic Banking**

I. Safety and Security: Indian Consumers feel that electronic banking is not safe and secured. Security has become major concerns for banks. A large number of customers deny using online banking and electronic banking facilities. It is a big challenge for bankers to make consumers satisfied concerning security of the Electronic banking services.

II. Reliability: Most of the customers believe that online transactions are risky, due to which frauds can take place. They do prefer traditional banking system to withdraw money, giving manual cheques to somebody instead of using electronic cheque system. They have a fear in their mind that " Am I transferring a correct amount to a correct person? " . Trust is the biggest hurdle to online banking for most of the customers in India. It is the biggest challenge to the bankers.

III. Awareness of the use of electronic banking: In India , awareness of electronic banking services is still not uncovered. It is on the lower side. Banks are not able to propagate the use of electronic banking services in India. Indian consumers are less aware of this new technology, its benefits and its convenience to them. Bankers have to take initiatives to remove this barrier and to create awareness of the banking technology among the customers will be the biggest challenge to them. For Creating awareness of electronic banking, the banks should undertake advertisements and promotional campaigns.

IV. Privacy risk:

 The risk of disclosing private information, accounting information& fear of identity theft is one of the major factors that restrain the consumers while opting for internet banking services. Most of the consumers presume that by using online banking services, bank may capture their personal information for marketing and other purposes.

V. Economical :

Internet banking pre-requisite is an investment in computers and to have broadband connectivity. But in India, average income per person is low, so few Indian consumers may not be able to achieve communication equipments. Even banks also require heavy investment in Infrastructure to set up e-delivery centres.

VI. Training to banking staff: In present times, bank provides up gradation of technology, computerisation, various nonbanking products to its customer. This requires training to banking staff which will be helpful to answer the queries arised from the customer.

 Staff should be given a special technical training for the use of e-banking so that they can further encourage customers to use the same.

VII. Non-Performing Assets (NPA)

 Nonperforming assets are another challenge to the banking sector. Through online banking, customer can easily apply for Vehicle loans and unsecured loans which increase N.P.A. (Non Performing Asset) which terms 50% of banks' retail portfolio was also hit due to upward movement in interest rates, restrictions on collection practices and soaring real estate prices. Recovery of such loan is the biggest challenge to the bank.