

# E-Banking

## Electronic Payment and Settlement Systems in India:

The Reserve Bank of India is doing its best to encourage alternative methods of payments which will ensure security and efficiency to the payments system and make the whole process easier for banks. The Indian banking sector has been growing successfully, innovating and trying to adopt and implement electronic payment systems. The Indian payment systems had always been dominated by paper-based transactions. But since the introduction of e-payments in India, the banking sector has witnessed growth like never before.

In the case of India, the RBI has played a pivotal role in facilitating e-payments by making it compulsory for banks to route high value transactions through Real Time Gross Settlement (RTGS) and also by introducing NEFT (National Electronic Funds Transfer) and NECS (National Electronic Clearing Services) which have encouraged individuals and businesses to switch to electronic methods of payment. With the changing times and technology we have changed the methods of payments in India. E-payments in India have been growing at a fast speed in recent years.

E-payments have to be continuously promoted showing consumers the various routes through which they can make these payments like ATM's, the internet, mobile phones and drop boxes. Benefits of E Banking: There are plenty of benefits perks that customers who adopt this mode of banking can derive from it. Some of the key benefits of internet banking are:

- ⇒ Convenience
- ⇒ Better Interest Rates
- ⇒ Services
- ⇒ Mobility
- ⇒ Environment Friendly
- ⇒ Lower operating cost
- ⇒ Very low incidence of errors

Last but not the least, internet banking has helped to cut down the usage of paper, thereby being good for the environment where it helps to reduce pollution. People do not have to visit the bank. In a growing country like India, efficient and faster payments method helps in the development of economy as a whole.

### 1) Electronic Clearing Services (ECS)

ECS is an electronic mode of payment / receipt for transactions that are repetitive and periodic in nature. ECS is used by institutions for making bulk payment of amounts towards distribution of dividends, interest, salaries, pension, etc., or for bulk collection of amounts towards telephone / electricity / water dues, cess / tax collections, loan instalment repayments, periodic investments in mutual funds, insurance premium etc. Essentially, ECS facilitates transfer of monies from one bank account into many banks accounts or vice versa.

Primarily, there are two variants of ECS, ECS Credit and ECS Debit.

**ECS Credit** is used by an institution for giving credit to a large number of beneficiaries (for instance, employees, investors etc.) having accounts with bank branches at various locations within the jurisdiction of a ECS Centre by raising a single debit to the bank account of the user institution.

ECS Credit enables payment of amounts towards distribution of dividends, interest, salaries, pension, etc., by the user institution.

**ECS Debit** is used by an institution for collecting amounts from a large number of accounts maintained with bank branches at various locations within the jurisdiction of an ECS Centre for credit to the bank account of the user institution. ECS Debit is useful for collection of telephone / electricity / water bills, cess / tax payments, loan instalment repayments, periodic investments in mutual funds, insurance premium etc., that are periodic or repetitive in nature and payable to the user institution by large number of customers etc.

## **2) Real Time Gross Settlement:**

The acronym 'RTGS' stands for Real Time Gross Settlement, which can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable.

The minimum amount to be remitted through RTGS is Rs 2 lakh. There is no upper ceiling for RTGS transactions. Under normal circumstances the beneficiary branches are expected to receive the funds in real time as soon as funds are transferred by the remitting bank. The beneficiary bank has to credit the beneficiary's account within 30 minutes of receiving the funds transfer message.

The remitting bank receives a message from the Reserve Bank that money has been credited to the receiving bank. Based on this the remitting bank can advise the remitting customer through SMS that money has been credited to the receiving bank.

The RTGS service window for customer's transactions is available to banks from 9.00 hours to 16.30 hours on week days and from 9.00 hours to 14:00 hours on Saturdays for settlement at the RBI end. However, the timings that the banks follow may vary depending on the customer timings of the bank branches.

## **3) National Electronic Funds Transfer**

NEFT has gained popularity as it saves time and the transactions can be concluded easily. National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. For being part of the NEFT funds transfer network, a bank branch has to be NEFT-enabled branch. The list of bank-wise branches which are participating in NEFT is provided in the website of Reserve Bank of India at <http://www.rbi.org.in/scripts/neft.aspx>.

Individuals, firms or corporate maintaining accounts with a bank branch can transfer funds using NEFT. Even such individuals who do not have a bank account (walk-in customers) can also deposit cash at the NEFT-enabled branches with instructions to transfer funds using NEFT. However, such cash remittances will be restricted to a maximum of Rs.50,000/- per transaction. Such customers have to furnish full details including complete address, telephone number, etc. NEFT, thus, facilitates originators or remitters to initiate funds transfer transactions even without having a bank account.

Individuals, firms or Corporates maintaining accounts with a bank branch can receive funds through the NEFT system. It is, therefore, necessary for the beneficiary to have an account with the NEFT enabled destination bank branch in the country. Presently, NEFT operates in hourly batches - there are twelve settlements from 8 am to 7 pm on week days (Monday through Friday) and six settlements from 8 am to 1 pm on Saturdays.