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INTRODUCTION

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CHAPTER I

INTRODUCTION

Banking industry provides financial services to the customers such as acceptance of deposits, giving loans, providing facilities for transfer of funds, giving financial guarantees, providing foreign exchange facilities etc. All these services are basically information processing services with cash operations forming the only physical process again based on information processing. The currency notes or cash itself is a banking service in the form of promissory notes issued by the central banking authorities. The advent of information technology has changed the way in which the data is processed. Therefore, almost all services provided by the banks including the concept of money or credit are influenced by the information technology thereby opening new opportunities as well as posing new threats before the banking industry. For the banks, technology has emerged as a strategic resource for achieving higher efficiency, control of operations, productivity and profitability. For customers, it is the realization of their 'Anywhere, Anytime, Anyway' banking dream. This has prompted the banks to embrace technology to meet the increasing customer expectation. Banking is increasingly getting complex with volume of trade transactions in retail as well as financial markets going up at a phenomenal rate in domestic markets and international capital-funds moving freely across the borders in search of better returns.

As the volume in financial markets grows, the risk factors also increases. New financial instruments for risk such as financial futures, options, swaps, forward rate agreements, repos are introduced whose volume of transactions is rapidly increasing. These instruments known as financial derivatives – although added to control risk themselves have potential to be risky. In India too, there is a sharp growth in foreign exchange transactions, money market operations and securities

transactions. Financial derivatives are introduced in a limited way. This development requires information technology support at each stage.

Apart from improved service to customers, the information technology has helped banks to organize their treasury and forex operations such as maintenance of statutory, undertake call money market operations, foreign exchange transactions and investment operations using specialized services for data distribution, trading and settlement.

The introduction of information technology has its impact of power requirement and training, changed organization effectiveness and helped banks to introduce new services. The introduction of information technology also necessitated rethinking on supervision and control, organization structure as well as structure of the organization.

E-Banking implies performing basic banking transaction by customers round the clock globally through electronic media. Alternatively electronic banking can be defined as **“delivery of bank’s services to a customer at his office or home by using electronic technology and this has resulted in conceptualization of virtual banking”** (www.google.com). E-Banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution.

E-Banking enables the customers to perform the basic banking transactions by sitting at their office or at homes through Personal computer or LAPTOP. The customers can access the bank’s website for viewing their account details and perform the transactions on account as per their requirements. Thus, today’s banking is no longer confined to branches. Customers are being provided with additional delivery channels which are more convenient and are cost effective to the banks. This has resulted in shrinking of geographical boundaries, easy reach to the clientele, reliable and secure services. The E-Banking services are:

- Automated Teller Machines
- Plastic Card Currency

- Internet Banking
- Electronic Clearing Services
- Cheque Truncation System
- Mobile Banking
- E-Payments/E-Remittances

Automated Teller Machines (ATMs)

ATM is a device used by bank customers to process account transactions. The customers are no more dependent on the brick and mortar branch of a bank since the advent of the ATM has made the concept of “24*7=365 Days Banking” a reality. The branch business timing have lost significance to the customer after the introduction of ATM. ATMs have thus come to occupy a key component of retail channel strategy adopted by the banks worldwide . ATM is also known as ‘Automated Banking Machine’, ‘Cash Machine’, ‘Cash Dispenser’, ‘Automatic Teller’, or ‘Money Machine’.

ATMs in India

HongKong Shanghai Banking Corporation (HSBC) installed the first ATM in 1987 at Calcutta. Indian Bank was the first public sector bank to install an ATM in India. In February 1997, the Indian Banks Association promoted a network of ATMs in Mumbai called ‘SWADHAN’ providing facility of cash withdrawal at ATMs of any of the member banks.

Operation of ATM

For using an ATM, a customer requires an ATM card which is a plastic card magnetically coded and read by the machine. To use an ATM, the customer has to insert the card in the machine and quote his PIN (Personal Identification Number). After establishing the authentication of the customer, the ATM permits a customer to

make entries and after processing the transaction, the machine performs the desired function. On completion of the transaction, the customer's card is ejected.

Sensing Currency Notes

The cash dispensary mechanism has an electronic eye that counts each currency note as it exits the dispenses. All information pertaining to a particular transaction is recorded in a journal, a hard copy of which is maintained by the bank for two years. Besides the electronic eye that counts each currency, the cash dispensing mechanism also has a sensor that evaluates the thickness of each currency. If two currency notes are stuck together or excessively worn, torn or folded then they are diverted to a reject bin.

Touch screen ATM

Some of the ATMs come with a touch transaction with a finger on the screen and the machine will process the transactions accordingly. The sensor generally has an electric current or signal going through it and touching the screen causes a voltage or signal change. This voltage changes used to determine the location of the touch on the screen and accordingly the desired transactions get processed.

Chemistry of ATM

An ATM has two input devices and four output devices. **The two input devices are:**

- **Card Reader:** Captures the account information stored on the magnetic strip on the back of the ATM/debit card or credit card.
- **Keypad:** Allows the card holder to tell the bank what kind of transaction is required and for what amount.

The four Output devices of an ATM are:

- **Speaker:** provides the card holder with auditory feedback.
- **Display Screen:** prompts each step of the transaction process.
- **Receipt Printer:** provides paper receipt of the transaction.

- **Cash Dispenser:** the heart of an ATM is the safe and cash dispensing mechanism. Three trays are provided for storing currency notes of different denominations.

Functions of ATM

The functions of ATM differ from bank to bank. The following functions are generally available:

- **Cash withdrawal:** Every bank has fixed a maximum limit of cash withdrawal per account per day. It ranges between Rs.10,000/- to Rs.15,000/-
- **Balance enquiry**
- **Mini statement:** Details of last 5-10 transactions can be got.
- **Cash Deposit:** Special covers are available in the ATM wherein the card holder has to fill up the challan with necessary details like the denominations and key. The cover is dropped into the machine via a window provided in the ATM. The officials of the bank will retrieve the covers at the end of the day and credit to the card holder's account.
- **Transfer transaction:** Transfer of amount from one account to another account within the bank is possible.
- **Other services:** Request for cheque book, statement request, PIN change.

Kinds of Automated Teller Machine

1. On-Site and Off-Site ATM

On-Site ATM - located within the bank premises

Off-Site ATM - located in public places like airports; railway stations etc

2. Stand Alone and Networked ATM

ATMs which are not linked to the hub of the bank is stand alone. This concept is almost defunct now. Modern day ATMs are not only linked to the branch where the customer maintains his account but linked to the various cities across the country.

This enables a customer to draw cash from ATMs that are outside the city limits of the branch where he maintains the card.

3. Dip Card and Motorized ATM

Dip card ATMs are those where the customer is required to just dip the card in the dip slot and take it back to do the transaction. The ATM machine senses the inscription and then allows the customers to proceed. In Motorized ATM, the customer has to insert the card and start the operations by keeping in the PIN (Personal Identification Number). The card goes into the machine and comes back only after the transactions are over. Dip card allows only one transaction at a time whereas in a motorized one, multiple transactions can be effected.

4. Front Loading and Back Loading ATM

The ATM has to be fed with cash at regular intervals so that it can dispense with the needs of the client. In loading of cash there are two types. When the shutter of the ATM room is closed and the operation of loading cash is carried on, it is front loading. On the other hand, the loading which is done from behind the ATM is back loading.

FIGURE 1.1

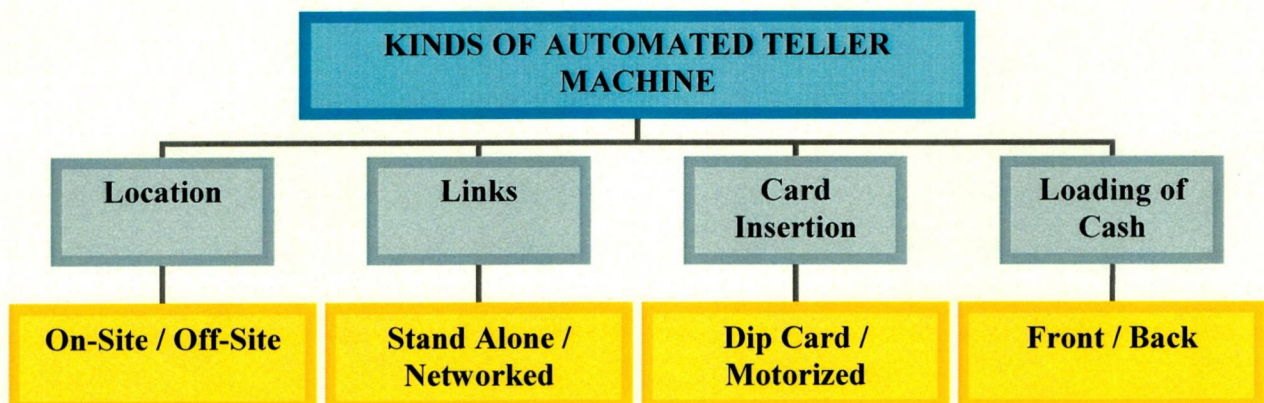


Table 1.1 presents the value and volume of card based payments in India from 2003-04 to 2005-06.

TABLE 1.1
Value and volume of card Based Payments

Year	Volume (in thousands)	Value (in crores of rupees)
2003-04	1862	35,889
2004-05	3615	77,267
2005-06	10453	2,36,994

Source: Indian Banker, March 2006

The customers find ATM convenient due to the following reasons: Convenience of shopping, No need to visit branch for transaction, AAA Banking – Anytime, Anywhere, Anyhow, Fast and efficient service and good currency notes. On the other hand the banks find ATM convenient due to the following reasons: less space required, capital expenditure lower compared to branch, lower transaction cost, one more means for advertising bank's products and bank staff get time for marketing.

Swot Analysis of Automated Teller Machine

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Cost effective transaction • Better reach • Brand visibility • Round the clock availability • Quicker transaction • Networked to centralized database enabling online updating • Provides fillip to increase bank Customer Base 	<ul style="list-style-type: none"> • Cost of ATM machine • Limited cash dispensing ability • Lack of human interface • Waiting time not completely eliminated
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Platform for cross selling of financial product • Value added services like mobile phone pre-paid recharging, giving donations etc • Shared ATMs to reduce cost and to maximize reach • Mobile ATMs to reach remotely located customers 	<ul style="list-style-type: none"> • Security concerns • Software bugs • Lower brand loyalty

Plastic Card Currency

Electronic payment is an integral part of electronic commerce. Electronic payment is a financial exchange that takes place on line between buyers and sellers. Plastic cards also known as plastic currency involving electronic device in their functioning gains popularity as a convenient mode of payment. The goal of online commerce has been to develop a set of payment methods which are widely used by consumers and widely accepted by the merchants and banks. The biggest push to the economy will be the increased plastic usage which will ensure a trail of the transaction and will ooze the parallel black economy market.

Life of cards in India

The pioneer in the Indian field is the Citibank's Diner's Club Card which was introduced in 1969. Andhra Bank is the first nationalized bank to introduce credit cards along with Vijaya bank. Canara Bank made later entry into the credit card business in 1987 and Bank of India issued its India card in 1988. Among the foreign banks, the ANZ Grindlays Bank came with Visa Classic Cards in 1989 followed by Citibank and Hong Kong bank.

Kinds of Plastic Cards

- **Credit Card:** Credit card is a source of revolving credit. It enables the cardholder to obtain goods or services from merchant establishments. The outstanding amount on account of use of the credit card is payable over a specified period which carries a fixed amount of interest.
- **Debit Card:** A debit card is also a payment card used to obtain cash, goods and services automatically debiting the payments to the card holder's bank account instantly, in which credit balance exists.
- **Smart Card:** Smart card contains real value in the form of electronic money which someone has paid for in advance, some of which can be reloaded with further

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funds or which can connect to the card holders' bank account (on-line) for payment purposes e.g. pre-paid cellular phone cards with stored value.

- **Gold Card:** It is a type of credit card aimed at more affluent or high net worth customers and very important persons.
 - **Kisan Credit Card:** Kisan Credit Card is a smart card which carries personal details about the farmer, his landholding, credit worthiness, loan details, repayment details etc. The bank branches / merchants will be provided with smart cards to do transactions on these cards.
 - **Switch Card:** It is an electronic debit card which enables holders to make payments at retail outlets. The payments are charged directly to the retailer's bank account from the card holder's bank account. It is an extension of the debit card.
 - **E-Purse:** The electronic cards have the provision for use of different types of accounts of the user. This facility is known as **Electronic Purse** each having storage of separate amount.
 - **E-Cash / E-Money:** The card holder can load the funds into a card for use in the form of cash that could be used for meeting various kinds of requirements after authorization through **PIN**.
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FIGURE 1.2
KINDS OF PLASTIC CARDS

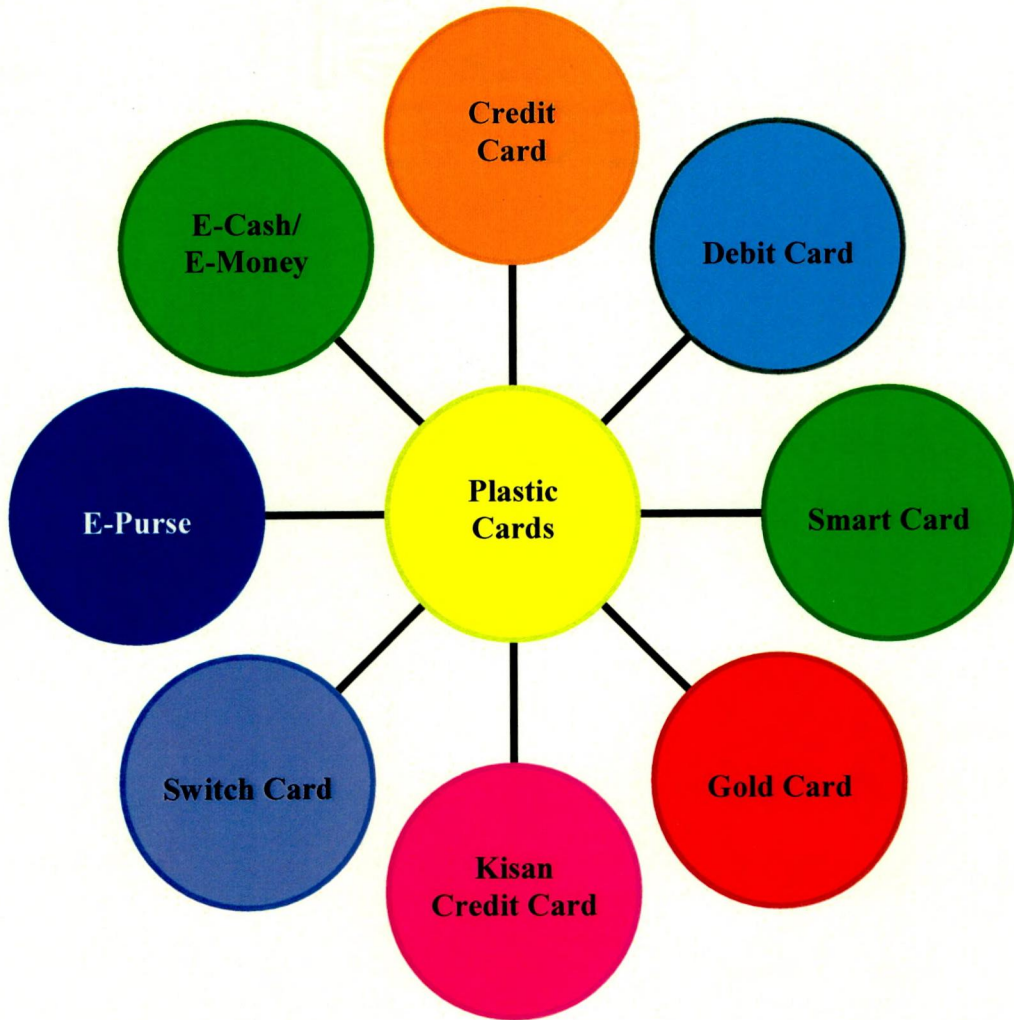
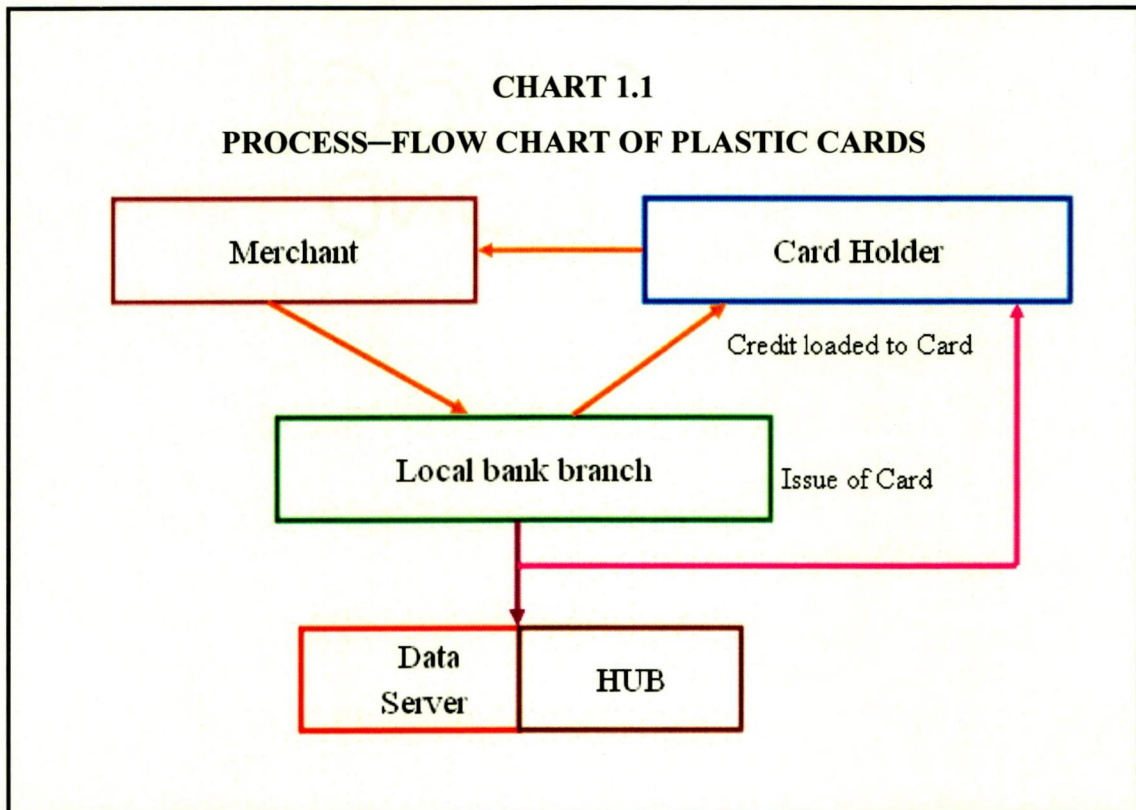


CHART 1.1
PROCESS—FLOW CHART OF PLASTIC CARDS



Source: RBI, Annual report (2006)

According to the RBI annual report (2006), the volume of transaction through credit card based payments increased from 1, 00,179 in 2003-04 to 1, 32,242 in the year 2005-06. The value of transaction in credit card based payment 2003-04 was Rs.17, 663 crores and has increased to Rs.34, 695 crores in the year 2005-06.

The volume of transaction in debit card based payments increased from 86,379 in 2003-04 to 9, 13,077 in 2005-06. The value of transaction in debit card based payment for the year 2003-04 was Rs.18,513 crores and has increased to Rs.2, 02,300 crores in the year 2005-06.

Swot Analysis of Plastic Card Currency

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ▪ Deposit access/credit access product ▪ Convenient mode of carrying money ▪ Payment of utility bills - telephone bills, shopping bills, school fees etc ▪ Cost effective ▪ Access to bank account all 24 hours a day and 7 days a week ▪ Pride satisfaction and enhanced status of an individual holding a card 	<ul style="list-style-type: none"> ▪ Requires high infrastructure ▪ Slow adopters to plastic currency ▪ Perceived notion that plastic currency/cards is not safe
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ▪ Facilitates E-Commerce in a big way ▪ Volumes will multiply revenue streams for the players in the market ▪ Goal of on-line commerce will become a reality 	<ul style="list-style-type: none"> ▪ High risk product possible E-Crimes ▪ Legal issues in case of misuse by hackers

Internet Banking Services

Internet banking is the latest in the series of technological wonders in the recent involving use of internet for delivery of banking products and services.

Internet banking products and services can be divided into two parts namely:

- I. Internet banking services for customers
- II. Internet banking for effective E-Payments and E-Remittance

Internet banking services can be categorized into three levels:

- The basic level service is the banks websites, which disseminate information on different products and services offered to customers and members of public in general. It may receive and reply to customers queries through e-mail.
- In the next level are Simple Transactional Websites which allow customers to submit their instructions, applications for different services, queries on their account balances, etc, but do not permit fund-based transactions in their accounts.
- The third level of internet banking services are offered by fully transactional websites which allow the customers to operate on their accounts for transfer of funds, payment of different bills, subscribing to other products of the bank and to transact purchase and sale of securities etc. These forms of internet banking services are offered by traditional banks, as a method of serving the customers or by new banks who deliver banking services primarily through internet or other delivery channels. Some of these banks are known as 'Virtual Banks', 'Internet-only Banks' and may not have any physical presence in a country despite offering different banking services.

A study on the use of internet banking by Reserve bank of India indicated that there were only 1 percent online users in 1998. This has increased to 16.27 percent in March 2000. The amount transacted through online has increased from just Rs.5 lakhs in 1998 to Rs.50 lakhs in 2000. By 2015, the online transaction is expected to touch Rs.7 crores.

Table 1.2 represents the Adoption Rates and classification of Internet Banking websites.

Table 1.2
Adoption Rates and classification of Internet Banking websites

Banks	Number of banks	Number of banks with websites	Entry level of websites	Number of internet banks	Internet banks as a percentage of banks in category	Partly transactional	Fully transactional
Private sector banks	29	26	12	14	48.3	7	7
New	8	8	0	8	100.0	3	5
Old	21	18	12	6	28.6	4	2
Public sector banks	27	27	13	14	51.8	11	3
SBI Group	8	8	4	4	50.0	3	1
Nationalized banks	19	19	9	10	52.6	8	2
Foreign banks	33	32	27	5	15.2	1	4
All banks	89	85	52	53	37.1	19	14

Source: Indian Banker, March 2006 and websites of individual banks

Swot Analysis of Internet Banking Services

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ○ Lower cost per transaction ○ Minimum physical infrastructure ○ Round the clock availability ○ Convenient banking ○ Account integration for single relationship view ○ Waiting time eliminated ○ Information gateway 	<ul style="list-style-type: none"> ○ All transactions are not possible ○ Slow adopters to internet banking ○ Lack of human interface ○ Poor penetration of internet in India
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ○ Platform for cross selling ○ Value added services like ticket reservations ○ Virtual banking 	<ul style="list-style-type: none"> ○ Security concerns ○ Lack of strong trust environment ○ Perceived notion that internet is not a safe place to conduct ○ Not accessible to masses

Electronic clearing services (ECS)

ECS (credit clearing) is a mode of payment whereby an institution makes a large number of payments like interest, dividend, salary, pension to a large number of investors/share holders/employees/ex-employees and can make the payments electronically instead of issuing paper warrants. There is no value limit for making ECS credit payments. ECS scheme became operational by Reserve Bank of India from 1996-1997.

RBI has also launched ECS-Debit for payment of telephone bills, electricity bills etc. Here a mandatory is taken from the customer who authorizes his bank to debit his account with the amount of bill advised by the utility companies. These

companies send the bill particulars and amount to be recovered from the customers to the ECS centre and these debits are passed onto the concerned branches of banks where the consumer is maintaining his/her account. The maximum limit has been increased to Rs.1 lakh per transaction.

The volume of transaction in Electronic Clearing Service (ECS) – Credit for the year 2003-04 is 22, 654 and has increased to 44, 216 in the year 2005-06. The value of transaction in Electronic Clearing Service (ECS) – Credit for the year 2003-04 is Rs.10, 228 crores and has increased to Rs.32, 324 crores in the year 2005-06.

The volume of transaction in Electronic Clearing Service (ECS) – Debit for the year 2003-04 is 7897 and has increased to 35, 958 in the year 2005-06. The value of transaction in Electronic Clearing Service (ECS) – Debit for the year 2003-04 was Rs.2253 crores and has increased to Rs.12, 987 crores in the year 2005-06.

The volume of transaction in Electronic Funds Transfer (EFT) for the year 2003-04 is 801 and has increased to 3067 crores in 2005-06. The value of transaction in Electronic Funds Transfer (EFT) for the year 2003-04 was Rs.17, 125 and has increased to Rs.61, 288 crores in 2005-06.

The total volume of transaction for the year 2003-04 was 31, 352 and has increased to 83, 241 in the year 2005-06. The total value of transaction for the year 2003-04 was Rs.29, 606 crores and has increased to Rs.1, 06, 599 crores in the year 2005-06.

Electronic Funds Transfer (EFT)

RBI's EFT system was the result of the Shere Committee recommendations of 1994. EFT has been defined as the series of transactions beginning with the remitter's payment order to the remitting branch made for the purpose of making payment to the beneficiary. It has been introduced by RBI to help banks offering their customers, money transfer service from one account of any bank (including same bank's) branch, to both inter-city and intra-city banks. The system is an improvement over the existing system of demand draft, mail transfers etc as funds are transferred on day two.

Benefits

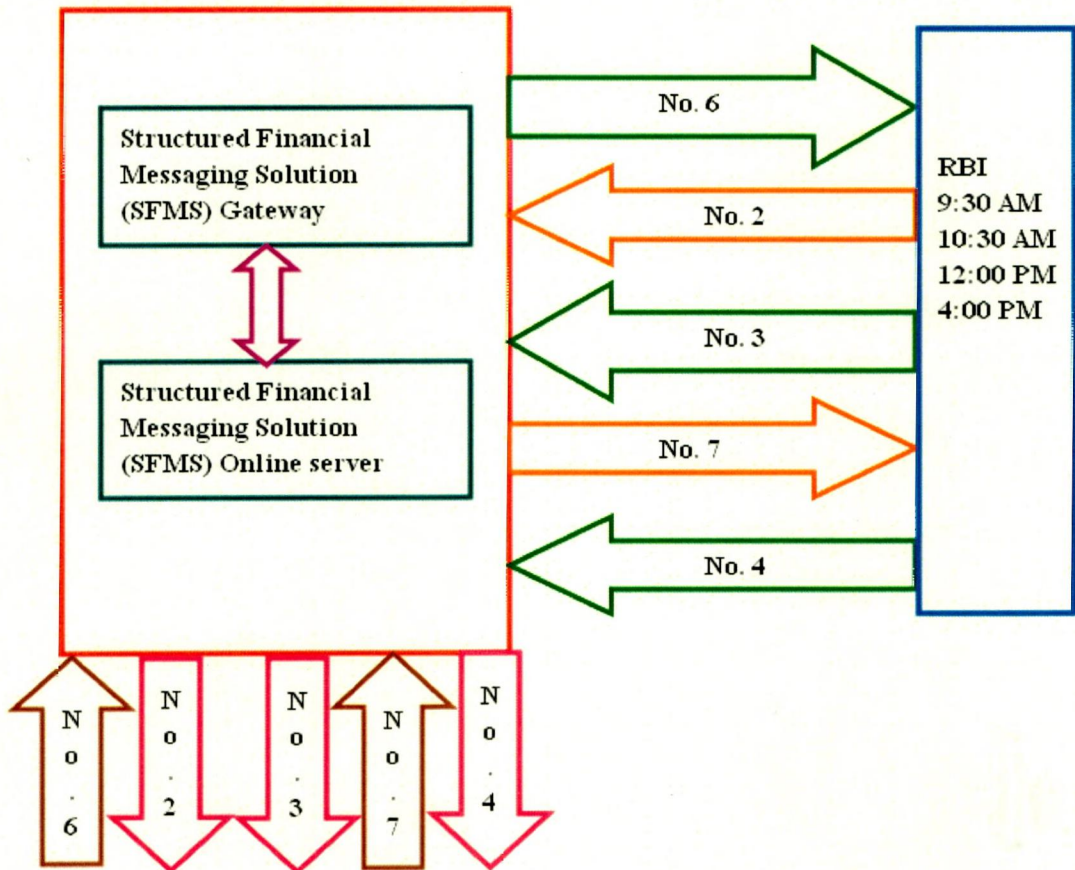
- Inter-bank TT service
- Reconciliation is automatic
- Banks can make use of the EFT infrastructure for introducing new payment/cash management products to their customers
- Beneficiary gets the funds credited to his account within 24 hours. The scheme is available across the banks at 15 centres where RBI manages its clearing house.

National Electronic Funds Transfer System (NEFT)

National Electronic Funds Transfer System (NEFT) is an account to account funds transfer facility on the secure Structured Financial Messaging Solution (SFMS) platform available for the networked branches of the banks. NEFT became operational in November 2005. NEFT funds transfers are PKI (Public Key Infrastructure) enabled and hence highly secure. It has three settlements per day at 10:30 am, 1 pm and 3pm. National Electronic Funds Transfer System (NEFT) at present is available in nearly 40 banks and over 3000 branches of banks and is expected to reach all the branches which are covered by **Real Time Gross Settlement (RTGS)**. National Electronic Funds Transfer System (NEFT) like Real Time Gross Settlement (RTGS) uses the **Indian Financial Systems Code (IFSC)** for routing purposes. Each branch of the participant banks has a code which is similar to the SWIFT code. The National Electronic Funds Transfer System NEFT, a deferred net settlement funds transfer system, addresses the lacunae which are faced in the Electronic Funds Transfer (EFT) and Structured Financial Messaging Solution (SFMT) system. With the implementation of the NEFT, the special EFT system in operation has been discontinued from January 2006.

CHART 1.2

PROCESS—FLOW CHART OF NEFT



Source: Indian banker, March 2006

- No. 6 - Outward messages
- No. 2 - Inward messages
- No. 3 - Rejections
- No. 7 - Settlement
- No. 4 - Settlement report

The NEFT, a deferred net settlement funds transfer system, addresses the lacunae which are faced in the Electronic Funds Transfer (EFT) and Structured Financial Messaging Solution (SEFT) system. The use of digital signatures under NEFT provides a legal basis for EFT under the Information Technology Act, 2000. With the implementation of the NEFT, the special EFT system in operation has been discontinued from January 2006.

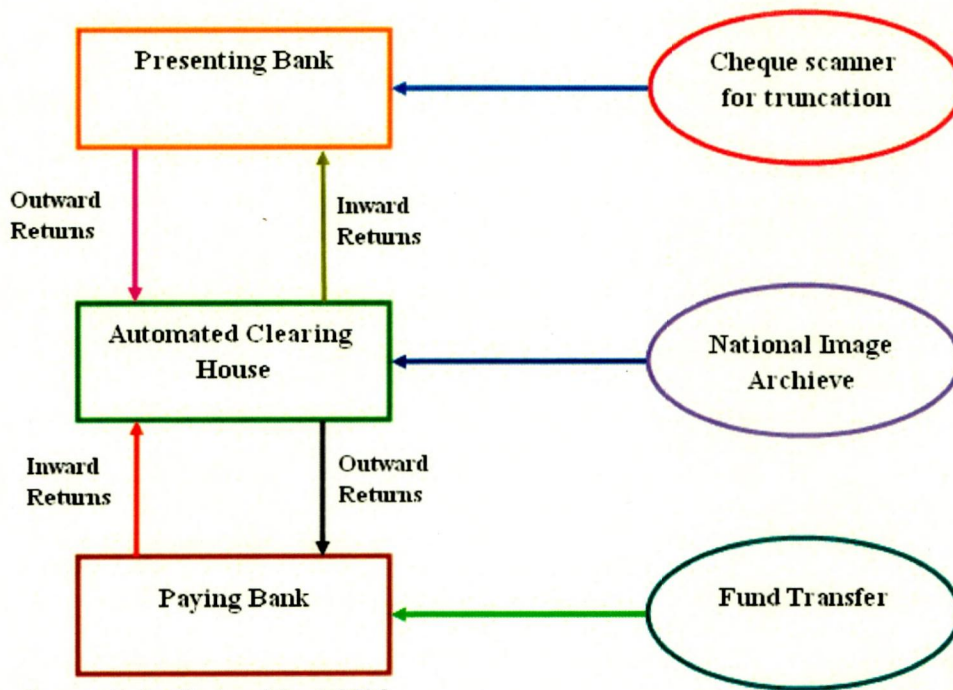
Benefits

- NEFT offers very fast and efficient fund transfer facility to customers across different bank branches who wants to remit funds from the account of one bank to the beneficiary in another bank.
- Cost of sending funds under NEFT is one third of the cost of DDs.
- Facilitates substantial savings in terms of TT discounting charges, postage, stationery etc.
- Faster funds transfer enables higher growth in capital and overall growth of economy of the country.

Cheque Truncation System

Cheque Truncation means that the physical cheque is scanned at the bank of first deposit (presenting bank) and thereafter the electronic image of the cheque is used by the paying bank to make payment. This system will replace the physical cheques with the electronic images throughout the clearing cycles. Cheque Truncation is one of the ways to compress clearing cycle and provide faster clearance of local and intercity cheques. As per amended Negotiable Instrument Act, (2002) a truncation cheque means a cheque which is truncated during the course of a clearing cycle either by the clearing house or by the bank whether paying or receiving the payments, immediately on generation of an electronic image for transmission, substituting the further physical movement of the cheque in writing.

CHART 1.3
PROCESS-FLOW CHART OF CHEQUE TRUNCATION SYSTEM



Source: Indian Banker, March 2006

Benefits

- Clearing and forwarding times will reduce
- Fraud can be detected at early points and addressed more effectively
- Operational costs can be brought down drastically along with cycle times
- Minimizing float and hence the misuse of float funds and preventing scams
- Inter branch reconciliation will be smoother
- Improves efficiency and quality of services offered by banks in area of cheque clearing

Mobile Banking

Mobile Banking is a system of providing service to a customer to carryout banking transactions on the 'mobile phone' through a cellular service provider. It is a service of banks to make available the facility of banking, wherever the customer is and whenever he needs. We can rather call this facility as "Anywhere and Any moment Banking" but it is restricted to only information about his account and not cash services.

Mobile Banking operates through short messages. Customer has to therefore configure SMS. The customer has to activate Mobile Messaging Service in the mobile phone. This activity is one time and the cellular service provider will do this at the request of the user.

In order to send a transaction, a customer has to key in the key words for the required transaction in the mobile and send it to the cellular service provider, preferably customer should use upper cases while punching the words. A text message of the transaction will appear on the mobile within seconds as a reply. The mobile phone will 'beep' in a few seconds, after transmitting the message. Then the information will appear on the mobile phone.

Types and transactions available on Mobile Phone Banking

- ✚ Balance Enquiry
- ✚ Cheque Book request
- ✚ Bill Payment
- ✚ Change of Primary Account
- ✚ Help

Benefits of Mobile Banking

Customers	Bankers
<ul style="list-style-type: none">❖ Customer can save his valuable time in banking transactions, and save in travel cost reaching the bank branch etc❖ It is a mobile service to have information all the 365 days at anytime anywhere about his account❖ Customers can pay his utility bills in time and save paying penalties, since alerts are received from the bank❖ Plans funding his accounts for the cheques issued to various customers, by taking advantage of balance enquiry account status❖ Cheque book requests can be made sitting in his work place	<ul style="list-style-type: none">❖ Bankers can utilize the time saved for expenses of business by channel migration of customers to mobile banking❖ Banks can take advantage of profits by way of commission for cellular companies by selling prepaid talk time through ATMs❖ Banks providing mobile banking service can have competitive advantage on those banks, which are not providing this service❖ “Mobile Banking” enable banks to reduce costs of courier, communication and paper work etc

Modes of E-Payments/E-Remittance

The second Rangarajan Committee constituted in 1988 drew up a detailed perspective plan for computerization in banks and for extension of automation to other areas like transfer of funds, electronic mail etc. Based on the recommendations of this committee, RBI has been instrumental in setting different levels of networked

systems which are collectively expected to become the model or even backbone for interconnectivity among banks/bank branches.

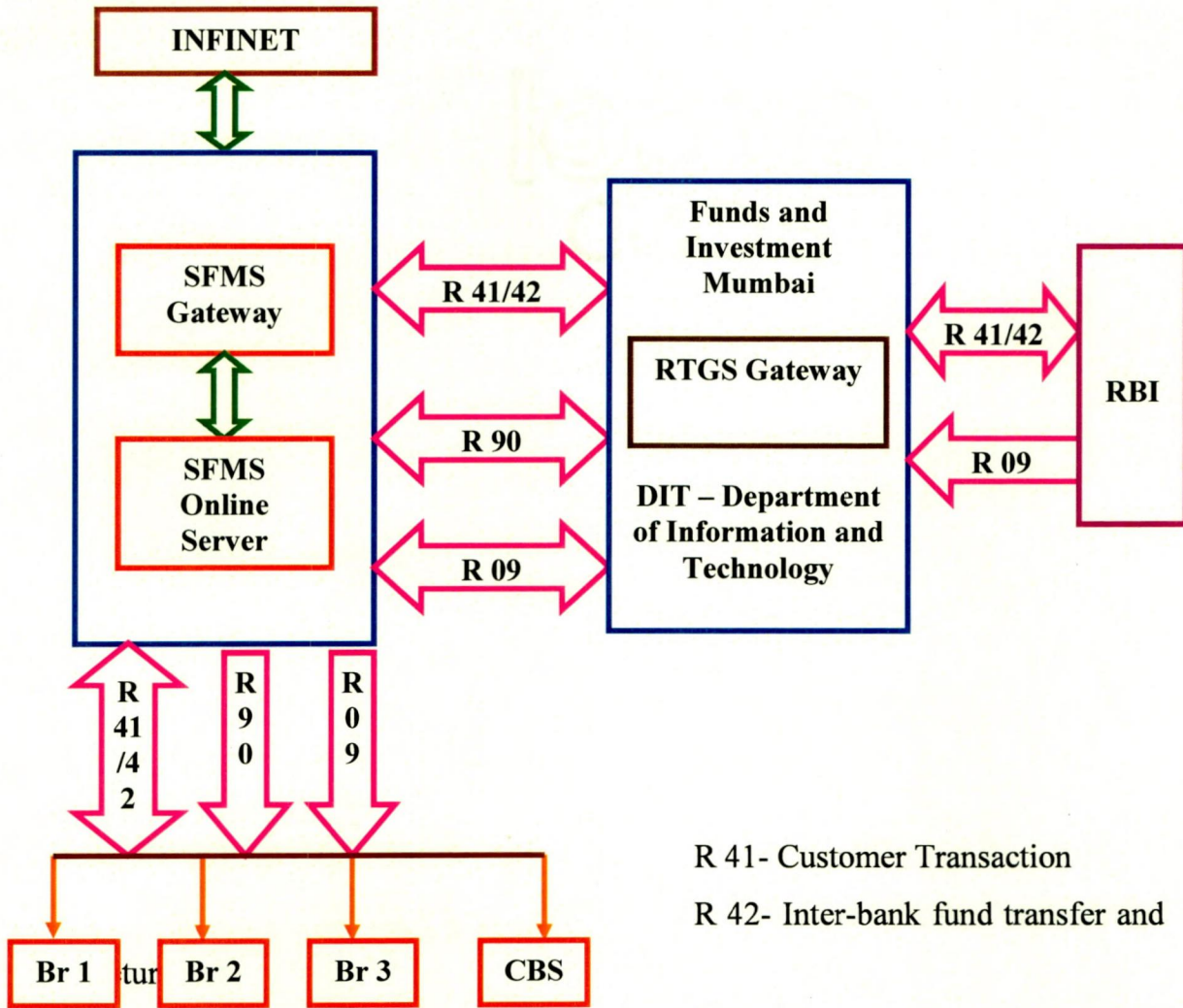
Real Time Gross Settlement (RTGS)

RTGS is a large value funds transfer system whereby financial intermediaries can settle inter-bank transfers for their own account as well as for their customers. The centralized instructions are processed and settled, transaction by transaction (one by one) and continuously online throughout the day, as and when the instructions are received and finally accepted by the system. RTGS facility is now being provided by 96 banks at over 21916 branches in 2793 centres in 469 districts. The average daily transaction in RTGS is in excess of Rs.5000 crores of rupees.

Benefits of RTGS

1. Payments are settled transaction by transaction
2. Settlement of funds is final and irrevocable
3. Settlement is done in real time
4. Funds settled can be further used immediately
5. It is a fully secure system which uses digital signatures and public key encryption for safe and secure message transmission and
6. There is a facility for intra day collateralized liquidity support for the member banks to smoothen temporary mismatch of fund flows and thereby ensures smooth settlement

CHART 1.4
PROCESS FLOW CHART OF REAL TIME GROSS
SETTLEMENT



R 41- Customer Transaction
 R 42- Inter-bank fund transfer and

 R 90- Gateway Acknowledgement
 R 09- RBI settlement notification
 INFINET- Indian Financial Network

Source: IT Digest, March 2000

Swot Analysis of Real Time Gross Settlement

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ➤ Settlement takes place in real time ➤ Provides immediate finality of transactions ➤ Eliminates settlement risk in the case of inter-bank and high value transactions ➤ Internationally compatible and transparent system 	<ul style="list-style-type: none"> ➤ Cost of setup ➤ Usage is lower than potential due to non-popularity or non-awareness ➤ High rates charged by banks for transfer of funds
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ➤ Platform for immediate use of funds ➤ Squaring of the settlement account on the same day thereby avoiding systematic risk ➤ Inter-Bank products on bank websites linked at the back-end to RTGS 	<ul style="list-style-type: none"> ➤ Software may become outdated ➤ Possible E-Crimes through hacking

Online Tax Accounting System (OLTAS)

Payment and accounting of “Direct Taxes” were areas, which traditionally were saddled with operational complexities. The technology applications have come handy when the Government was looking at immediate solutions to bring reforms in tax administration and payment mechanism.

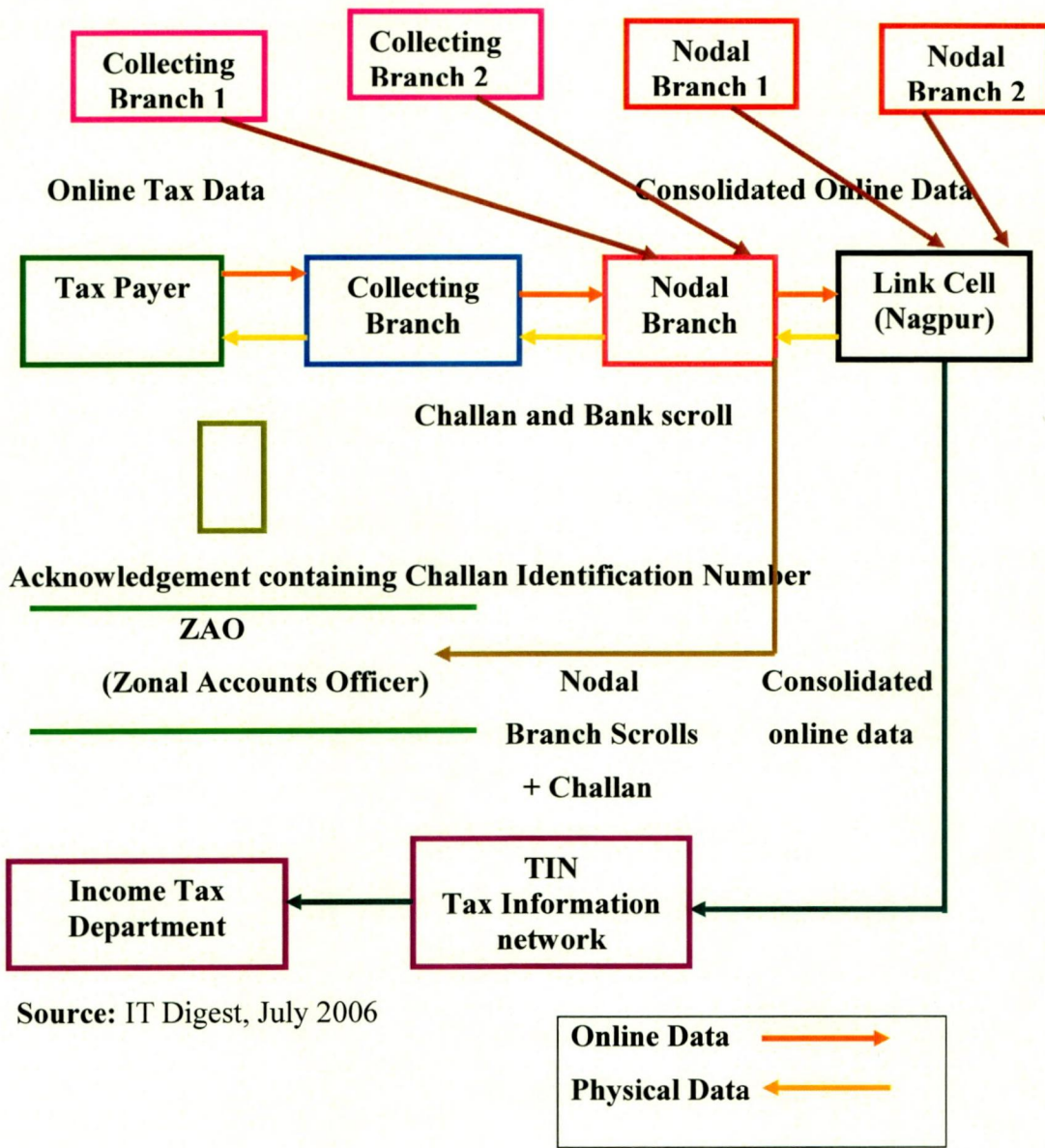
The Income Tax Department introduced the novel system for payment of taxes called Online Tax Accounting System (OLTAS) effective from 1st June 2004. This system has not only simplified the procedure for payment of taxes by the common tax payer but also brought about several breakthroughs in accounting and monitoring mechanism of direct tax payments in the country.

Benefits

- Tax payers can pay their taxes in any bank and where Online Tax Accounting System has been introduced
- Process of remittance of tax has been simplified with standardization of tax challans, on the spot acknowledgement
- IT assessing officer is able to access the data of tax remittance within hours and the tax payers account gets credited
- Internet viewing facility to the tax payer by visiting the website www.tcn.nsd.com
- Finance Ministry/Income Tax officials can now monitor the tax receipts on a daily basis and this facilitates better finance management by the government.

CHART 1.5

FLOW PROCESS CHART OF ONLINE TAX ACCOUNTING SYSTEM



Source: IT Digest, July 2006

Procedure

The person intending to pay direct tax can remit at any authorized branch of the bank either in cash or by a cheque/draft drawn on the same bank or any other bank at the same centre. Bank will collect direct taxes of different heads of accounts at authorized branches and remit the total day's collection on the same day to the nodal branch. The Nagpur branch immediately advises the collection figures to RBI, CAS, Nagpur and credit to the Government account. The following single copy challan forms (only four types of challans) are prescribed for payment of direct taxes.

Type of Tax	Challans to be used
➤ (0020) Corporation Tax	ITNS 280
➤ (0021) Income Tax	
➤ (0020) Company Deduction	ITNS 281
➤ (0021) Non company Deduction	
➤ (0023) Hotel Receipts Tax	
➤ (0024) Interest Tax	
➤ (0028) Expenditure Tax	ITNS 282
➤ (0031) Estate Duty	
➤ (0032) Wealth Tax	
➤ (0033) Gift Tax	
➤ (0034) Securities Tax	
➤ (0026) Fringe Benefit Tax	
➤ (0036) Banking cash transaction tax	ITNS 283

Swot Analysis of Online Tax Accounting System

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ❖ Simplified procedure ❖ Government can assess the tax receipts on daily basis ❖ Tax payer's account gets credited on the same day ❖ Mitigate customer complaints and reconciliation problems ❖ Integrity and confidentiality of the data 	<ul style="list-style-type: none"> ❖ Facility available only in selected branches of banks ❖ Customers are not technically savvy and are apprehensive of the efficacy of the system ❖ Possible delayed remittance by the branch, nodal branch, link cell
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ❖ Reduction in time lag between the remittance at bank to the credit of Government account at Nagpur ❖ Faster and accurate mode of remittance ❖ Improved tax collections ❖ Faster decision making by Government ❖ Web enabled tax payment system ❖ Enabling tax refunds using reverse flow remittance 	<ul style="list-style-type: none"> ❖ Virus attack on the software and possible loss of data ❖ Hackers entering the system with intention to defraud

In India there had been limited research studies on 'E-Banking'. Manoharan (2007) and Nagesh (2007) tried to focus on ATM banking and internet banking. In the recent era of expanding information technology, the concept of E-Banking has become predominant. Hence in this context the current research on 'An Analytical study on E-Banking Systems and their Performance in Coimbatore city' is formulated with the following objectives:

- ☞ To study E-Banking services offered by public sector banks, private sector banks and foreign banks in Coimbatore city;
- ☞ To examine the socio-economic profile of E-Banking users;
- ☞ To study the extent of awareness and the usage of E-Banking services;
- ☞ To ascertain the customer's satisfaction about various E-Banking services and
- ☞ To analyze the problems faced by the customers in using E- Banking services

Limitations of the study

The current study is subject to certain limitations. It is a micro level study. Thus the findings of the study may not be applicable for macro level. The study was based on primary data. Hence, the inadequacies of primary data also hold here. Due to limited time and money the study could cover only small number of respondents in urban area.