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DEPARTMENT OF COMPUTER APPLICATION

SUBJECT NAME: EVERYDAY BANKING

SUBJECT CODE: AY52A

SEMESTER: II

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Syllabus

UNIT- I Banking – Definition – pass book – cheque book – Format of Cheque – Filling up of Cheque- Deposit Challan – Filling up – Clearing cheque – Transfer cheque – Collection Cheque – Payable at par – Demand Draft – application filling – Account Opening form – Filling up – Documents required - Debit Card – Credit Card – ATM Machine – Cash Deposit Machine – Pass book printing machine. MICR- IFSC- Fund transfer through ECS – NEFT – RTGS – Form filling for Fund transfer.

UNIT- II On line Banking – Sign up – Process – Requirements – Log in – Customer ID – User ID – Pass word – Hints for creating Pass words – change of pass word – on line transactions – Account statements – Fund Transfer – Payment of bills – Utility payments – Loans – Repayment for Loans – other services. Mobile Banking – meaning – importance – Advantages – Mobile Applications (App) – WAP (Wireless Application Protocol)- USSD (Unstructured Supplementary Service Data)- Registration process – through Mobiles – Process at Bank Branch – ATM- User ID-MPIN- change of MPIN –IMPS D(Immediate Mobile Payment System) - UPI(Unified Payment interface) – BHIM(Bharat Interface for money)- NPCI (National Payment Corporation of India) - Bank account Management – Transfer Funds – paying Bills – Locating ATMs - QR code payments- Alerts and notifications- Tracking Spending habits – Cash backSafe banking methods.

Suggested Readings:

1. B.Santhanam- Banking & Financial systems, Margham Publications
2. S.N.Maheshwari Banking theory, law and practice , Kalyani Publications
3. Parameswaran- Indian Banking, S.Chand& Co.

Web References:

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2. https://www.sbi.co.in/portal/web/services/internet-banking
3. https://www.hdfcbank.com/assets/popuppages/netbanking.htm
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UNIT- 1

INTRODUCTION

The history of banking begins with the first prototype banks of merchants of the ancient world, which made grain loans to farmers and traders who carried goods between cities. This began around 2000 BC in Assyria and Babylonia. In olden times people deposited their money and valuables at temples, as they are the safest place available at that time. The practice of storing precious metals at safe places and loaning money was prevalent in ancient Rome.

However modern Banking is of recent origin. The development of banking from the traditional lines to the modern structure passes through Merchant bankers, Goldsmiths, Money lenders and Private Banks. Merchant Bankers were originally traders in goods. Gradually they started to finance trade and then become bankers. Goldsmiths are considered as the men of honesty, integrity and reliability. They provided strong iron safe for keeping valuables and money. They issued deposit receipts (Promissory notes) to people when they deposit money and valuables with them. The goldsmith paid interest on these deposits. Apart from accepting deposits, Goldsmiths began to lend a part of money deposited with them. Then they became bankers who perform both the basic banking functions such as accepting deposit and lending money. Money lenders were gradually replaced by private banks.

Private Banks were established in a more organized manner. The growth of Joint stock commercial banking was started only after the enactment of Banking Act 1833 in England. India has a long history of financial intermediation. The first bank in India to be set up on modern lines was in 1770 by a British Agency House. The earliest but short-lived attempt to establish a central bank was in 1773. India was also a forerunner in terms of development of financial markets. In the beginning of 18th Century, British East India Company launched a few commercial banks. Bank of Hindustan (1770) was the first Indian bank established in India. Later on, the East India

Company started three presidency banks, Bank of Bengal (1806), Bank of Bombay (1840) and Bank of Madras (1843). These banks were given the right to issue notes in their respective regions. Allahabad bank was established in 1865 and Alliance Bank in 1875. The first bank of limited liability managed by Indians was Oudh Commercial Bank founded in 1881. Subsequently, the Punjab National Bank was established in 1894. In the Beginning of the 20th Century, Swadeshi movement encouraged Indian entrepreneurs to start many new banks in India. Another landmark in the history of Indian banking was the formation of Imperial bank of India in 1921 by amalgamating 3 presidency banks. It is the Imperial Bank which performed some central banking functions in India. A number of banks failed during the first half of the 20th Century. It affected the people's belief and faith in Banks.

By independence, India had a fairly well developed commercial banking system in existence. In 1951, there were 566 private commercial banks in India with 4,151 branches, the overwhelming majority of which were confined to larger towns and cities. Savings in the form of bank deposits accounted for less that 1 per cent of national income, forming around 12 per cent of the estimated saving of the household sector. The Reserve Bank of India (RBI) was originally established in 1935 by an Act promulgated by the Government of India, but as a shareholder institution like the Bank of England. After India's independence, in the context of the need for close integration between its policies and those of the Government, the Reserve Bank became a state - owned institution from January 1, 1949. It was during this year that the Banking Regulation Act was enacted to provide a framework for regulation and supervision of commercial banking activity.

Reserve bank of India was nationalized in the year 1949. The enactment of the Banking Companies Act 1949 (Later it was renamed as Banking Regulation Act) was a bold step in the history of banking in India. In 1955, Imperial Bank of India was nationalized and renamed as State bank of India (SBI). The SBI started number of branches in urban and rural areas of the country.

In 1967, Government introduced the concept of social control on banking sector. Nationalization of 14 commercial banks in 1969 was a revolution in the history of banking in

India. Six more commercial banks were nationalized in 1980. Other landmarks in the history of Indian banking were the establishment of National Bank for Agricultural and Rural Development (1988), merger of New Bank of India with Punjab National Bank (1993), merger of State Bank of Sourashtra with SBI (2008) and the merger of State Bank of Indore with SBI (2010). At present, there are 27 Public sector banks, 20 private sector banks, 30 Foreign banks and 82 Regional Rural Banks in India.

MEANING OF BANK

Banking is considered to be the nerve center of trade, commerce and business in a country. It plays a vital role in distributing the money for the development of trade, industry and commerce. Now-a-days, banking sector acts as the backbone of modern business. Therefore we may say that banking is the lifeblood of modern commerce. Bankers are not only dealers in money but also leaders in economic development of a country. Development of any country mainly depends upon the banking system.

The term bank is either derived from Old Italian word *banca* or from a French word *banque* both mean a **Bench** or **money exchange table**. In olden days, European money lendersor money changers used to display (show) coins of different countries in big heaps (quantity) on benches or tables for the purpose of lending or exchanging. A bank is a financial institution which deals with deposits and advances and other related services. It receives money from those who want to save in the form of deposits and it lends money to those who need it.

DEFINITION OF A BANK

Oxford Dictionary defines a bank as “an establishment for custody of money, which it pays out on customer's order.”

According to H. L. Hart, a banker is “one who in the ordinary course of his business honours cheques drawn upon him by person from and for whom he receives money on current accounts”.

Banking Regulation Act of 1949 defines banking as “accepting for the purpose of lendingor investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise”.

F.E. Perry defines “The bank is an establishment which deals in money, receiving it on deposit from customers, hounouring customer’s drawings against such deposits on demand, collecting cheques for customers and lending or investing surplus deposits until they are required

for repayment."

According to Walter Leaf "A banker is an institution or individual who is always ready to receive money on deposits to be returned against the cheques of their depositors."

CHARACTERISTICS / FEATURES OF A BANK

1. Dealing in Money

Bank is a financial institution which deals with other people's money i.e. money given by depositors.

2. Individual / Firm / Company

A bank may be a person, firm or a company. A banking company means a company which is in the business of banking.

3. Acceptance of Deposit

A bank accepts money from the people in the form of deposits which are usually repayable on demand or after the expiry of a fixed period. It gives safety to the deposits of its customers. It also acts as a custodian of funds of its customers.

4. Giving Advances

A bank lends out money in the form of loans to those who require it for different purposes.

5. Payment and Withdrawal

A bank provides easy payment and withdrawal facility to its customers in the form of cheques and drafts. It also brings bank money in circulation. This money is in the form of cheques, drafts, etc.

6. Agency and Utility Services

A bank provides various banking facilities to its customers. They include general utility services and agency services.

7. Profit and Service Orientation

A bank is a profit seeking institution having service oriented approach.

8. Ever increasing Functions

Banking is an evolutionary concept. There is continuous expansion and diversification as regards the functions, services and activities of a bank.

9. Connecting Link

Bank acts as a connecting link between borrowers and lenders of money. Banks collect money from those who have surplus money and give the same to those who are in need of money.

10. Banking Business

A bank's main activity should be to do business of banking which should not be subsidiary to any other business.

11. Name Identity

A bank should always add the word “bank” to its name to enable people to know that it isa bank and that it is dealing in money.

STAGES IN THE EVOLUTION OF BANKING IN INDIA

Some important stages in the evolution of modern banking in India are as follows:

1) Agency Houses:

When the English traders came to India, they had problem of raising working capital due to the language barrier. Therefore, they established Agency Houses which combined trading with banking. One agency house established the first bank in India called the Bank of Hindustan in 1770. Later on, many banks were established. But they disappeared as fast as they were born. Anybody could then start a bank. The field was free for all.

2) Presidency Banks:

The East India Co., the ruler of India, took initiative in establishing Presidency Banks by contributing 20% of their share capital to meet its own demand for funds. Accordingly, Bank of Bengal, Bank of Bombay and Bank of Madras were established in 1806, 1840 and 1943 respectively.

3) Joint Stock Banks:

In 1884, banks were allowed to be established on the principle of limited liability. In due course, this encouraged establishment of banks. By the turn of the century, many banks with the initiative of Indians were established. Punjab National Bank, Allahabad Bank, Bank of Baroda are some of the banks then established. Many foreigners also came in the field of Indian banking.

4) Imperial Bank of India:

To meet the competition of foreign banks, the three Presidency Banks were amalgamated and a powerful Imperial Bank of India was established in 1921 with its network of branches all over the country. This bank was later nationalised in 1955 and it is today’s State Bank of India. This is a prestigious bank as the Government is its customer.

5) Establishment of the Reserve Bank of India:

Though there was boom in banking, due to absence of any regulation and facility of timely assistance there were recurrent bank failures. This resulted in suspicion about banks in theminds of the people. They stayed away from banks. The need for a separate Central Bank was emphasised by the Hilton Young Commission. Accordingly, the RBI was established in 1935 to perform all the functions of a Central Bank. It was modeled on the pattern of the Bank of England. But it did not have much power of regulation. The period was also critical one due to the great depression and the subsequent Second World War. The RBI could not do much about banking.

6) Nationalizations of the RBI and the Banking Regulation Act:

These two important steps were taken in 1949. Immediately after independence wide powers of regulation and control were given to the RBI and by making use of those powers the RBI was successful in making Indian banking trustworthy. Soon, bank failures became a thing of the past and India's banks progressed under the guidance of the RBI. Many malpractices, deficiencies and drawbacks were sought to be removed by the RBI.

7) Nationalisation of Banks in 1969 and 1980:

Another significant step was taken in 1969 by nationalising 14 big Indian banks. Then six more banks were nationalised in 1980. The nationalisation of banks brought about a sea-change in the policies, attitudes, procedures, functions and coverage of banks. Indian banks are now being prepared to become international players. These are the stages through which Indian banking developed.

CONSTITUENTS OF THE INDIAN BANKING SYSTEM

The constituents of the Indian Banking System can be broadly listed as under:

(a) Commercial Banks:

(i) Public Sector Banks

(ii) Private Sector Banks

(iii) Foreign Banks

(b) Cooperative Banks:

(i) Short term agricultural institutions

(ii) Long term agricultural credit institutions

(iii) Non-agricultural credit institutions

(c) Development Banks:

(i) National Bank for Agriculture and Rural Development (NABARD)

(ii) Small Industries Development Bank of India (SIDBI)

(iii) EXIM Bank

(iv) National Housing Bank

PASSBOOK

Introduction:

All kinds of deposits are in the nature of running accounts. So, it becomes imperative fora banker to inform his customers of the real position of their accounts from time to time. For this purpose, a banker makes use of a small booklet called pass book. A pass book is a booklet, wherein a banker records his customer's account at it appears in his ledger. It is called a pass book because it passes between the hands of a banker and his customer very often. It reflects the customer's account in the banker's ledger. Thus, it is nothing but a copy of the customer's account in the banker's ledger. All the amounts deposited by a customer are credited and the cheques paid by banks against his account are debited. The balance is shown from time to time. In the place of a pass book, statements of account may also be sent to the customers.

Maintenance of a Pass Book:

A pass book may be maintained in the form of a ledger account with debit entries on the left hand side and credit entries on the right hand side. This method is not popular amongst bankers. Most of the banks follow a tabular form for maintaining the pass book. There is an economy of stationery in this method.

A pass book may also be maintained in the form of a 'loose-leaf ledger card system'. In such a case, entries would have to be made by means of computers. When such a system is followed, it becomes necessary for the banker to send periodical statements regarding the

accuracy of the entries made therein to the customers for their approval and return. These statements serve the purpose of a pass book.

The position in India:

The position in India is not well defined. This difficulty arises because a customer is not bound to examine his pass book. So, if a customer does not examine the pass book, cannot claim that he has accepted it as a settlement of account. To find an answer to what the real effects of entries in a pass book are, have to carefully analyze the type of entries. The entries in a pass book may be of two kinds viz., (i) a correct entry, and (ii) a wrong entry.

(i) Correct entry: A dispute does not arise in respect of a correct entry and therefore can boldly say that a correct entry constitutes a settlement of account as between a banker and a banker.

(ii) Wrong entry: To err is human and therefore a banker may commit an error in a pass book. What is the result of his wrong entry? To find out an answer to this question, have to decide the nature of the wrong entry. The wrong entry may again be either (a) favourable to a customer, or (b) favourable to a banker.

(a) Entries favourable to the Customer:

Can a customer rely upon a wrong entry favourable to him? The answer is "yes". It is so because all the entries in passbook are made by the banker or his agent. Therefore, a passbook record can be used as evidence against banker. If the customer acts upon them as bonafide so as to alter his legal position, the banker is stopped from rectifying the same.

The wrong entry favourable to a customer constitutes a settlement of account when:

(i) The customer believes that is true,

(ii) The customer draws a cheque in good faith and in complete reliance on the larger credit balance,

(iii) The wrong entry is communicated to the customer

(iv) In any case, a customer cannot rely upon any fictitious entry made in the passbook by a bank employee

A banker can have this mistake rectified, provided (i) the customer has not been adversely affected, and (ii) the sum has not been withdrawn. Hence, if a banker wants to rectify the mistake, he must immediately inform the customer. Until the matter is settled, the banker should go on honouring the cheque s drawn in reliance on the larger credit balance. The principle is, 'longer the

duration, lesser the chance of a banker rectifies the mistake'. A passbook belongs to a customer and the entries made in it are statements on which the customer is entitled to depend and act.

(b) Entries favourable to the Banker:

The wrong entry in a pass book may sometimes be favourable to a banker. The mistake is committed by the banker and the customer is not bound by the mistake. However, there is one exception to the above rule. That is, where a customer has so acted as to render the entries as correct by his conduct, then those entries would constitute a settled account. In other words, if the customer, by his conduct, accepts the entries as correct, later on, he cannot question the accuracy of those entries. Whether the customer has rendered the entries as settled ones or not depends only upon the circumstances.

It is quite evident that where a customer has voluntarily taken up the duty of examining his pass book and if he is negligent of verifying those entries, then the liability falls only on the customer. Those entries constitute a settled account.

A customer's duty to examine his pass book can arise from an express agreement. In special circumstances, if the attention of the customer is drawn to the accounts, he is under an obligation to examine the pass book and to report any inaccuracies in them. In such a case, if the customer keeps silent, it may be presumed that he has accepted the entries as correct. If a banker succeeds in establishing this custom, the court may give legal recognition to the practice. That is why some bankers send periodical statements to their customers and ask them to certify them as correct. If they do so, they are bound by them.

The place of pass book in the Indian Banking System is not well defined. To be on the safer side, a banker should see that the pass book is made up, signed and returned to the customer as often as possible. When a pass book is sent, the date should be noted in the ledger together with the initials of the clerk who is in-charge of it. He is responsible for its accuracy. Whenever an error is discovered, the customer should be informed of it immediately and asked to return the pass book for correction. When a pass book is lot, a duplicate can be given against a payment of Rs.3 with opening entries and with additional charge of Rs.2 per ledger folio and it should be marked 'DUPLICATE'. If a pass book is prepared carefully, it will eliminate many complications.

CHEQUE

Introduction:

A cheque is a document of very great importance in the commercial world. It was originally spelt as 'check'. It is Gilbart, who introduced the modern spelling 'cheque' in his book 'Practical Treatise on Banking'. The origin of the word cheque is not clear. According to Gilbart, it has been derived from the French word 'Eches' meaning 'chess'. Others are of the view that the origin of 'cheque' can be traced to the notes issued by the Goldsmiths of London in the early periods. The modern cheque is the outcome of many old trial and error forms of cheques. For instance, a cheque had been written on the back side of a cow. Now, all commercial banks issue their own standard printed forms of cheques.

Meaning of Cheque:

A cheque is a document that orders a payment of money from a bank account. The person writing the cheque, the drawer, usually has an account where their money was previouslydeposited. The drawer writes the various details including the monetary amount, date, and a payee on the cheque, and signs it, ordering their bank, known as the drawee, to pay that person or company the amount of money stated. Cheques are a type of bill of exchange and were developed as a way to make payments without the need to carry large amounts of money. While paper money evolved from promissory notes, another form of negotiable instrument, similar to cheques in that they were originally a written order to pay the given amount to whoever had it in their possession.

Technically, a cheque is a negotiable instrument instructing a financial institution to pay a specific amount of a specific currency from a specified transactional account held in the drawer's name with that institution. Both the drawer and payee may be natural persons or legal entities. Specifically, cheques are order instruments, and are not in general payable simply to the bearer (as bearer instruments are) but must be paid to the payee. In some countries, such as the US, the payee may endorse the cheque, allowing them to specify a third party to whom it should be paid.

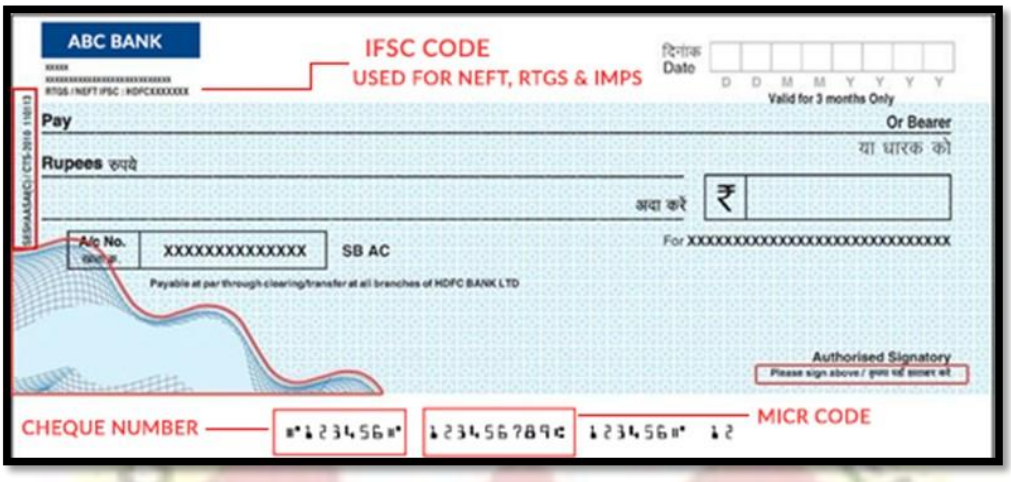
Definition of Cheque:

According to Section 6 Negotiable Instrument Act, "Cheque is an instrument drawn on specific banker, ordering to pay specific amount, to a specific person, after the specific date." A cheque is also a bill of exchange.

"Cheque is an instrument in writing containing an unconditional order, addressed to a banker, signed by the person who has deposited money with the banker, requiring him to pay on demand a certain sum of money only to or to the order of certain person or to the bearer of

instrument."

SPECIMEN OF CHEQUE



Important Features of Cheque:

i. **Cheque is an instrument in writing:** Oral orders are not considered as cheques. A cheque must be in writing.

ii. **Cheque contains an unconditional order:** Every cheque contains an unconditional order issued by the customer to his bank. A cheque containing conditional orders is considered invalid and is dishonoured by the bank.

iii. **Cheque is drawn by a customer on his bank:** A cheque is always drawn on a specific bank mentioned in that. Cheque book facility is made available only to account holder who is supposed to maintain certain minimum balance in the account.

iv. **Cheque must be signed by customer:** A cheque must be signed by customer, i.e. the account holder. Unsigned cheques or cheques signed by persons other than customers are not regarded as cheque.

v. **Cheque must be payable on demand:** A cheque when presented for payment must be paid on demand. If cheque is made payable after the expiry of certain period of times then it will not be a cheque.

vi. **Cheque must mention exact amount to be paid:** Cheque must only be for money. The Notes amount to be paid by the banker must be certain and written in words as well as figures.

vii. **Payee must be certain to whom payment is made:** The payee of the cheque should be certain whom the payment of a cheque is to be made i.e. either real person or artificial person like Joint Stock Company. The name of the payee must be written on the cheque or it can be made

payable to bearer.

viii. **Cheque must be duly dated by customer of bank:** A date must be duly mentioned by the customer of bank. A cheque is valid for a period of six months from the date of issue.

Characteristics of Cheque:

1) Instrument in Writing:

A cheque must be an instrument in writing. Oral orders, although they may have the other requisites, cannot be treated as cheques. It may be in any language and in any form. It may be written in ink or pencil or may even be printed or cyclostyled. It may be in any form, but the words must be visible.

2) Unconditional Order:

Cheque must contain definite and an unconditional order to pay. A conditional instrument is invalid. For instance, if the cheque has a receipt form attached to it and the following words are added, "Provided the receipt form at the foot is duly signed and dated," or if the amount is made payable out of a particular fund, the order will be regarded as conditional and hence the instrument containing such a direction cannot be regarded as a cheque.

3) On a Specified Banker Only:

The instrument must be drawn on a specified banker. This means, firstly, that it should bedrawn on a banker and not on any other person. Secondly the name and preferably also the address of the banker should be specified.

4) Certain Sum of Money Only:

The order must be only for the payment of a certain sum of money only. It is clear that orders asking the banker to deliver securities or certain other things cannot be regarded as cheque. It must also be noted that the sum of money to be paid must be certain.

5) Amount of Cheque:

It is necessary to mention clearly the amount of money which the drawer desires his banker to pay. The sum is usually stated in words as well as in figures so as to avoid mistakes.No blank space should be left on the cheque before and after the amount stated in words and in figures.

6) Payee to be Certain:

In order that an instrument shall be a valid cheque, it should be made payable to or to theorder of a certain person or the bearer. The payee must be certain.

7) Signature:

The cheque must be signed by the drawer.

Parties to a Cheque:

Here are three parties involved in a cheque. They are as follows:

1) Drawer:

Drawer is the party who draws the cheque upon a specified banker. He is the maker of the cheque. He is the account holder who draws the cheque for drawing money from his bank account. He is the person who issues cheque directing the bank to pay a certain sum of money to a certain person or to the bearer. Thus, the person who signs the cheque is known as drawer.

Drawee:

Drawee is the party upon whom the cheque is drawn. Drawee is the bank. It is the partyto whom the drawer gives order to pay the amount to the person named on the cheque or hisorder to the bearer. When the bank follows the order and pays the amount of the cheque then the cheque is said to be honored. In case of refusal of the order, the cheque is said to be dishonored.

2) Payee:

Payee is the party who presents the cheque for payment. He is the person who receives money from bank. He is the party in favor of whom cheque is issued. The payee is the person whose name is mentioned on the cheque. If the cheque is made payable to self, the drawer himself becomes the payee.

TYPES OF CHEQUE

1) Bearer Cheque:

Generally, the cheque indicates the name of a person to whom the amount is to be paid. He is called the payee, paying bank is the drawee and the person who draws the cheques is the drawer. In case of bearer cheque, the wording of the cheque is pay to or bearer. It is not necessary for the payee to personally present the cheque and get the money. He can sign on the back and hand it over to any other person. Any person who holds the cheque lawfully can get payment. The person who presents the cheque is called the bearer. Bank is not bound to verify the identity of the bearer. Thus, any bearer cheque lost or stolen is likely to be presented for payment. There is nothing to pin point the identity of the person who accepted payment. Anybody who comes in possession of the cheque can encash it. Thus, bearer cheques are somewhat risky.

2) Order Cheque:

An order cheque specifically instructs the banker to ensure that the person mentioned only

receives payment. The bank is duly bound to verify the identity of the person and see that the person presenting the cheque is the person whose name is mentioned on the cheque. If the word 'bearer' is struck off, the cheque becomes order cheque. Thus, the order cheque is safer than the bearer cheque. If both the words i.e. 'bearer' and 'order' are cancelled, the cheque becomes not negotiable, i.e. it cannot be legally transferred to any other person.

3) Crossed Cheque:

When two parallel lines are drawn on the top left side of the cheque, it is called crossed cheque. The lines should be conspicuous. The lines may or may not contain the words '& Co'. When a cheque is crossed, the payment is not made across the counter but the amount is credited to the payee's account. He can then withdraw the amount from his account.

A crossed cheque is an express instruction to the banker not to make cash payment. This is the safest type of cheque. This is called general crossing. Sometimes, name of a specific bank and branch is written between the lines. It means the cheque must be presented through that bank only. This is called special crossing. In such case, the amount is paid to the specific bank which in turn credits the amount to the payee's account. The words 'not negotiable' between the lines destroy the negotiability of the cheque.

4) Uncrossed/open cheque:

When a cheque is not crossed, it is known as an "Open Cheque" or an "Uncrossed Cheque". The payment of such a cheque can be obtained at the counter of the bank. An open cheque may be a bearer cheque or an order one.

5) Anti Date Cheque:

If a cheque bears a date earlier than the date on which it is presented to the bank, it is called as "anti-dated cheque". Such a cheque is valid upto six months from the date of the cheque. For Example, a cheque issued on 10th Jan 2010 may bear a date 20th Dec 2009.

6) Post-dated Cheque:

If a cheque bears a date which is yet to come (future date) then it is known as post-dated cheque. A post dated cheque cannot be honoured earlier than the date on the cheque. For example, if a cheque presented on 10th Jan 2010 bears a date of 25th Jan 2010, it is a post-dated cheque. The bank will

make payment only on or after 25th Jan 2010.

7) Stale Cheque:

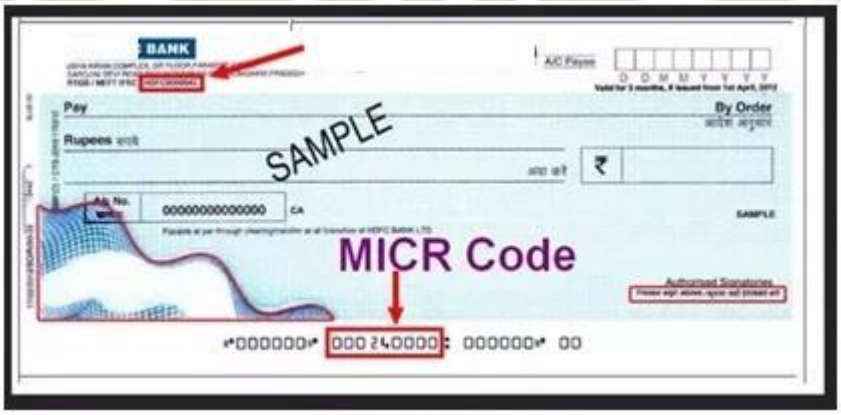
If a cheque is presented for payment after six months from the date of the cheque it is called stale cheque. A stale cheque is not honoured by the bank.

8) Mutilated Cheque:

When a cheque is torn into two or more pieces and presented for payment, such a cheque is called a mutilated cheque. The bank will not make payment against such a cheque without getting confirmation of the drawer.

MICR Cheque:

MICR (Magnetic Ink Character Recognition) cheque is a modern form of cheque, which minimizes the human efforts and processing time. It is a system that uses a special machine that types characters on the documents using ink containing iron oxide. These characters can be read by people as well as by a computer input devices. Magnetic Ink characters for bank identification number, customer account number and cheque number are preprinted on cheques. When a cheque is presented to the bank, the amount of the transaction is encoded before computer processing.



Advantages of MICR cheque:

a. The clearing time for the cheques is considerably reduced.
b. The MICR characters are easily readable and as such it reduces errors.
c. Settlement between the banks is done fast and as such net position is quickly known.

d. It reduces the manual sorting and totaling work.

Limitations of MICR:

a. MICR cheques are expensive, as it requires superior quality paper and special ink.

b. Customers have to be educated in handling MICR cheques.

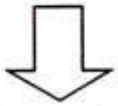
c. Counterfoils are not permitted in the cheque books, which may cause inconvenienceto customers.

Cheques Clearing Cycle:

Following steps are to be taken during clearance of cheque:

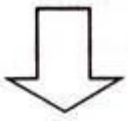
Step 1st:

The customer



Step 2nd:

The PRESENTING BANK where cheques are presented by payee for deposit in his / her a/c.



Step 3rd:

The RCC:

Regional collecting centre- to collect all cheques from their presenting branch.

Step 4th:

Clearing House:

To collect cheques from RCC and for settlement of cheques.

Step 5th:

Drawee's RCC:

Again they collect cheques from the clearing house and send to their drawee bank.

Step 6th:

Drawee Bank:

It collects cheques from their RCC and debits the customer a/c.

Settlement of Funds:

The settlement of funds in clearing occurs at several levels. The aggregate amount or value of cheques presented by a bank on other banks represents the claim by that bank on other banks. All the banks on every other bank in the clearing make similar claims.

A net settlement is arrived at the clearinghouse and the debit or credit position of the bank is determined. These are booked in their current accounts maintained by the settling bank. This represents the inter- bank settlement. The settlement of funds between the service branch and the branch concerned represents the transfer of funds to the branch level.

The payment process is completed only when the funds are debited from the drawer's account and credited to the payee's account. This occurs after the completion of the return clearing mentioned.

Return Clearing:

The cheques returned by drawee Branch for any reason to Service Branch are returned to presenting Bank as unpaid cheques. The aggregate of all items unpaid is debited to the original presenting bank and credited to the drawee bank. The same process is mirrored in the inter- branch settlement at the service branch of a bank. The credit given to the payee on account of the cheque is reversed.

Inter-branch clearing:

Cheques presented by customers drawn on different branches of the same bank need not be sent to the clearing house as the transfer of funds is internal to the bank. The service branch usually acts as a settlement branch for the branches and the instruments are sent to the drawee branches while the inter-branch accounts are credited or debited internally. (Fate of returned cheques)

How Cheque Comes Again To Customer:

There are various reasons which are responsible for unpaid of cheques.

A following cycle of unpaid cheque is:

Step 1st:

Drawee Bank:

It collects cheques from their RCC and debits the customer a/c. If sufficient balance not found then drawee bank again sends cheque to their SERVICE BRANCH

Step 2nd:

Drawee's SERVICE BRANCH:

Again they collect cheques from the drawee branch and send to the clearinghouse.

Step 3rd:

Clearing House:

To collect again cheques from Service Branch and send unpaid cheques to the presenting Service Branch

Step 4th:

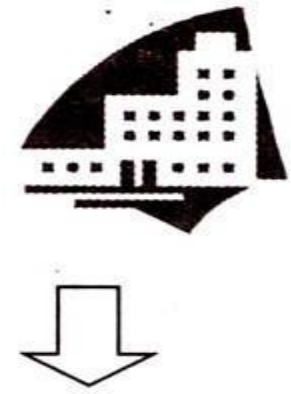
The RCC: (Regional collecting center)

To collect all unpaid cheques from the settlement house and send to their respective branches.

Step 5th:

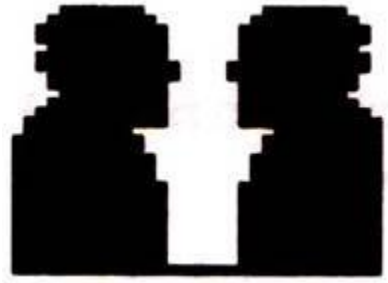
The presenting bank:

It collects unpaid cheques from the Service Branch and sends to the customer with written letter containing the reason why the cheque is not to be paid.



Step 6th:

The customer who collects his cheque from his/her presenting bank with some written letter with specific reason popularly known as returning memo.



Time Span:
The total clearing cycle including the return clearing introduces a time span in the payments process. The need for physical presentment of the cheque at the branch where it is drawn on, requires the movement of cheques from one place to another.

As a result, the recipient of payment has to wait until the collecting banker is fully satisfied that the cheque has been paid. This time lag will continue irrespective of the level of technology and improvements in process, so long as the physical presentment of the cheque is necessary as per the banking law.

What is the Time Taken for this Clearing Process?
Generally, if a cheque is to be paid within the same city (local cheque), it would take 2-3 days. In some large cities, there is a system called High Value Clearing, which facilitates completion of cheque clearing cycle on the same day, and the customer depositing the cheque is permitted to utilize the proceeds next day morning.

However, coverage of this High Value Clearing is very limited and usually available at the branches in the main business area; say Fort and Nariman Point area in Mumbai and Connaught Place in New Delhi.

Would a Bank Customer Incur any Charges by Using Cheques for Payments?
The person receiving payment by means of cheques would incur some charges to realize the funds through his/her bank. In case of local cheques, no charges are levied. In case of outstation cheques, the bank would take some processing/collection charges depending upon the amount of the cheque and the place from where it has to be realised. The banks themselves generally decide the charges levied by the banks. Banks are also required to publicise the schedule of service charges.

The cheques clearing system as explained above is undergoing many changes to make it possible the cheques are cleared as early as possible and the customers are afforded credit immediately after they deposit a chaque with his/her bank.

In case of the cheques belonging to the account holders of the same bank and the branches of the bank(both where cheque is deposited and the branch from where money is to be collected are under centralized banking system) the cheques are collected same day subject to certain charges.

In case the cheques are not drawn on any branch of the same bank and are drawn on the branch of some other bank a new system has already been started by the Reserve Bank of India, which is known as CHEQUES TRUNCATION.

DEMAND DRAFT

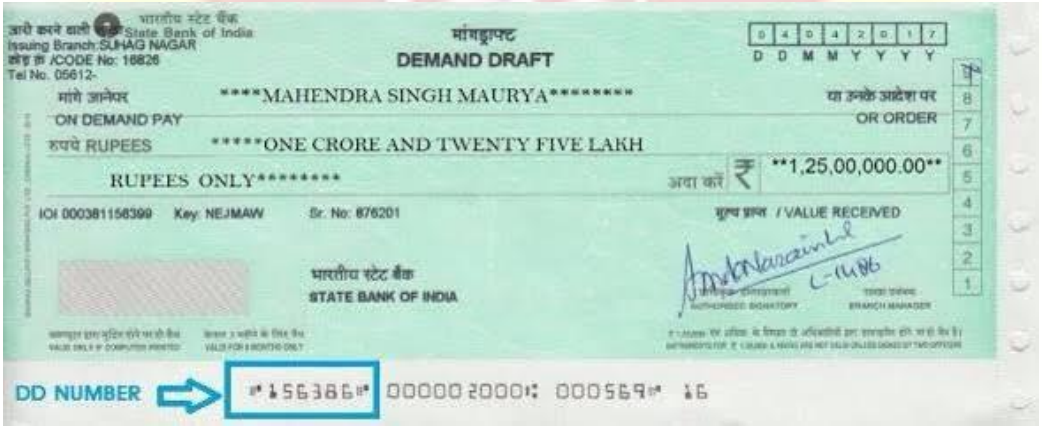
What Is a Demand Draft?

A demand draft is a method used by an individual to make a transfer payment from one bank account to another. Demand drafts differ from regular normal checks in that they do not require signatures to be cashed. A demand draft, also called a remotely created check (RCC).

When a demand draft is issued to the drawer, the money is debited from the drawer's account. Once it is given to the payee and he/she presents it to the bank, it is immediately paid out to the payee in the form of cash or check. Sometimes, the drawer and the payee can be the same person, as the drawer may want to transfer money from one bank account to another account at a different bank. or
A demand draft is a negotiable instrument similar to a bill of exchange. A bank issues a demand draft to a client, directing another bank or one of its own branches to pay a certain sum to the specified party. A demand draft can also be compared to a cheque.

KEY TAKEAWAYS

- A demand draft is a way to initiate a bank transfer that does not require a signature, as is the case with a check.
- A demand draft is a prepaid instrument; therefore, you cannot stop payment on it in the case of fraud or mis-intended recipient.
- Because demand drafts can be used to defraud people, there are regulations now in place that allow victims to recover funds from the holding bank.



CHARACTERISTICS OF A DEMAND DRAFT

It is issued by the bank to another bank. It is considered to be a prepaid negotiable instrument because the money is taken from the drawer's account when it is issued. Therefore, when the payee

cashes it out, it will not bounce due to insufficient funds since the payment is already made by the drawer. As a result, it is more secure and comes with less risk compared to a check.

It is only payable to the payee written on the demand draft, and it is payable on demand. It means the payee can immediately be paid the specified amount and cannot be stopped from payment once he/she presents it to the bank to be cashed out.

It does not require the use of a signature to authorize the transfer of funds. It can be authorized remotely by fax, phone, or online. Instead of a signature, it will say "authorized by depositor" or "authorized by drawer."

How Do You Get a Demand Draft?

You can visit your bank or fill out an online application offered by your bank. You need to provide details such as your bank account information, the full name of the payee, and the address of the payee's bank.

You also need to provide the amount of money, the currency of the money, the reason for payment, and instructions about whether the bank should send it to you or directly to the payee. In addition, you may be required to pay a fee to the bank before the demand draft can be issued.

When is a Demand Draft Used?

A demand draft can be used when you purchase items online or over the phone. It can also be used when there are recurring debits from your bank account, such as bill payments. Other common uses include return item fees, customer payments made remotely from the company, and transfer payments between different bank accounts. Therefore, demand drafts can usually be accepted by telemarketers, utility companies, credit card companies, and insurance agencies.

TYPES OF DEMAND DRAFTS

1. Sight demand draft

A slight demand draft is payable immediately, and it is often used when purchasing goods internationally. For example, when seller ships goods to a buyer, the seller still possesses the title of the goods until the buyer receives the goods. The buyer can use a sight demand draft to transfer funds to the seller instantly so the seller can immediately transfer the title of goods to the buyer.

2. Time demand draft

A time demand draft comes with a set payment date in the future, and it is not payable immediately. It is only payable in full after a certain amount of time when the goods are received by the payee. In

international trade, some exporters and importers may prefer to use a time demand draft. For example, an importer issues a time demand draft to the exporter, but payment in full can only be made 15 days after the arrival of the shipment of goods and the transfer of the title of goods to the importer.

GENERAL PRECAUTIONS FOR OPENING ACCOUNTS

(1) Application Form:

The prospective customer is first of all asked to sign an application form prescribed for that purpose after furnishing all particulars. Different bankers have different printed application forms. They also vary with classes of customers and for kinds of deposits. These application forms contain the rules and regulations of the bank along with the terms and conditions of the deposit.

SPECIMEN OF AN APPLICATION FORM FOR OPENING AN ACCOUNT

To

The manager

Modern Bank of India

Madurai

Dear Sir,

Please open Savings Deposit Account in my/our name(s)

(Name and Address in Block Letters)

I/we agree to comply with and to be bound by the bank's rules for the time being for the conductof such accounts.

The account be operated upon*_____

**Date of birth_____20...

Yours faithfully,

Introduced by

If in joint names, State (1) either or survivor,

(2) both or survivor,

(3) any one of us or any one of the survivors of us or the last survivor.

**In the case of minors

On the back of the application form itself, there is a provision for giving specimensignatures.

BACK PORTION OF THE APPLICATION FORM

Specimen Signature Card for Savings Account

Name of Account _____ Date _____

A/c No.

NAME (IN BLOCK LEETERS) SIGNATURE

1._____ _____

2._____ _____

3._____ _____

4._____ _____

5._____ _____

_____

VERIFIED BY

However, the application form for opening a current account contains many conditionswhich are not normally found in other cases.

(2) Specimen Signature:

Every new customer is expected to give three or more specimen signatures. Usually, they are obtained on cards which are filled alphabetically for ready reference. Each bank maintains a signature book for this purpose. Nowadays, banks obtain specimen signatures right on the application forms.

(3) Letter of Introduction:

It is always on the part of a banker to allow the prospective customer to open an account only with a proper introduction. The usual practice for the banker is to open an account only with a proper introduction. The usual practice for the banker is to demand a letter of introduction from a responsible person known to both the parties. Failure to get a letter of introduction may land him in trouble and affect his credit. For instance, as soon as a new party opens a current account he should be supplied with a cheque book which may be misused to his best advantage if he happens to be an unscrupulous person. The responsible person who issues the letter must also be cautious because if he supplies any false information about a party, he would be held liable to compensate for the loss, if any, suffered by the banker. If the introduction turns out to be forged one the account is treated as having not been introduced at all.

A letter of introduction or a letter of reference always protects a baker in the following ways:

(a) Production against fraud:

A letter of introduction serves as a precaution against fraud. It protects a baker against issuing a cheque book to an undesirable and dishonest person. But for such a letter, he could have given a cheque book to an undesirable person who might have made use of those cheque laves to his best advantage even in the absence of sufficient funds. In such a case the goodwill of the bank would suffer. If the customer is a man of good character, he will not do such things. The banker can find out the character of a new party only through this letter. Thus, the purpose of introduction is to identify the depositor and to find out whether he is a genuine party or an impersonator or a fraudulent person.

(b) Protection against inadvertent overdraft:

It may so happen that a bank clerk may misread the balance of a customer and pay a cheque. The result will be the emergence of an overdraft. The baker can recover the money only if the customer is a man of good character.

(c) Protection against an undischaged bankrupt:

If a new party happens to be an undischarged bankrupt the fact of which is not known to the banker and if the properties deposited by him are not acquired by him, the banker is answerable to the Official Assignee for the transactions. A letter of introduction prevents the occurrence of such events. Moreover, it is the duty of a banker to inform the existence of an account in the name of an undischarged bankrupt and get his current for the operation of such an account.

(d) Protection against negligence under Sec. 131 of the Negotiable Instrument Act:

If a broker fails to obtain a letter of introduction at the time of opening a new account, it constitutes negligence on the part of the collecting banker under Sec. 131 of the Negotiable Instruments Act and so, he will lose the statutory protection.

(e) Protection against giving incorrect information to fellow bankers:

It is a courtesy among bankers to give reference about the financial position of their customers to fellow bankers. In the absence of a reference letter a banker may not be able to supply correct information.

(4) Interview:

At the time of opening of new accounts, it is always advisable to have an interview invariably with the prospective customer so as to obviate the chances of perpetration of any fraudat a later stage.

(5) Account in cash:

It is a common practice among bankers to allow a new party to open an account only in cash. In the absence of an express notice, a banker needs to worry about neither the source of money nor the customer's title over the money. On the other hand if the account is opened by depositing a cheque, the risks are greater.

(6) Mandate in Writing:

If a new party wants its account to be operated by somebody else, the banker should demand a mandate from his customer in writing. The mandate contains the agreement between the two regarding the operation of the account, the specimen signatures of the authorised person and the powers delegated to the authorised person.

(7) Verification of Documents:

If the new party happens to be a corporate body, it is essential that the banker should verify some of the important documents like Memorandum of Association, articles of associations, bye-law copy etc. In other cases, the verification of certain other documents like Trust Deed Probate, Letter of Administration, etc., may be necessary.

(8) Conversant with the Provisions of Special Acts:

Since a banker has to deal with different classes of customers, he has to be thoroughly conversant with certain laws like Indian Companies Act, Indian Partnership Act, Insolvency Act, the various Trust Acts, the Cooperative Societies Act, etc.

(9) Pay-in-slip Book and Pass Book:

Then, the customer is supplied with a pay-in-slip book. The pay-in-slip is a document which is used for depositing cash or cheque or bill into the account. It has a counterfoil which is returned to the customer for making necessary entries in his books.

The customer is also supplied with a cheque book which normally contains 10 to 20 blank forms. A cheque leaf is used for the purpose of withdrawing money. If the customer does not like to have a cheque book, he can make use of the withdrawal form for withdrawing money. The first cheque book is usually branded with the rubber stamp 'N'. In addition to the above, a customer is also given a pass book which reflects the customer's account in the banker's ledger. It usually contains the rules and regulations of the bank and the terms and conditions of the deposit. Every customer is supposed to have read and understood the conditions. He should comply with them under all circumstances.

(10) Passport Size Photograph:

Nowadays, banks insist upon the prospective customers to affix their passport size photographs on the application forms at the time of opening the accounts. This is to prevent impersonation and for easy identification.

(11) Know Your Customer (KYC) Norms:

Strict norms have been laid down by the RBI under Sec. 35A of the Banking Regulation Act, 1949 with regard to KYC. The main objective of these norms is to enable banks to know and understand their customers and their financial dealings closely so that any criminal elements/ undesirable customers may not misuse banks for their money laundering activities. Moreover, a better knowledge about customers would enable banks to manage their risks very prudently by

avoiding any loan asset becoming non-performing through strict monitoring or by avoiding loansto high risk category of customers. At the same time, it is very important that any KYC policy should not result in denial of banking services to the general public, especially to those who are financially and socially disadvantaged.

For the purpose of this KYC policy, a customer has been defined as a person or any entity that either maintains an account with the bank or has any business relationship with the bank or both. As per KYC norms it is very essential that customers should be allowed to open an accountor have any business dealing with the bank only after identifying them and verifying their identity by using reliable documents.

ELEMENTS OF KYC NORMS:

Generally, every bank is expected to frame its KYC Norms by taking into account thefollowing elements:

(i) Customer Acceptance Policy

(ii) Customer Identification Procedures

(iii) Monitoring of Transactions

(iv) Risk Management

(i) Customer Acceptance Policy:

One of the KYC Norms policy is to lay down customer acceptance policy by every bank.

Accordingly,

(a) No account should be opened in benamic names or fictitious or anonymous names.

(b) There should be clear categorisation of customers into low, medium and high risk with any suitable nomenclature.

(c) Necessary documentation requirements should be complied with depending upon the above perceived risks.

(d) In case it is not possible to verify the identity or obtain necessary documents, it is advisable not to open an account or even close an existing account.

(ii) Customer Identification Procedures:

The following documents are necessary to establish the identity of individuals:

(a) For identity-Passport, Pan Card Voter's, Identity Card, Driving License, etc.

(b) For Permanent Address- Ration Card, Telephone Bill, Electricity Bill, Letter from

Employer, etc.

In the case of limited companies and other corporates, documents like Board Resolution, Certificate of Incorporation, Articles and Memorandum of Association, copy of PAN allotment letter, copy of any utility service bill etc.

(iii) Monitoring of Transactions:

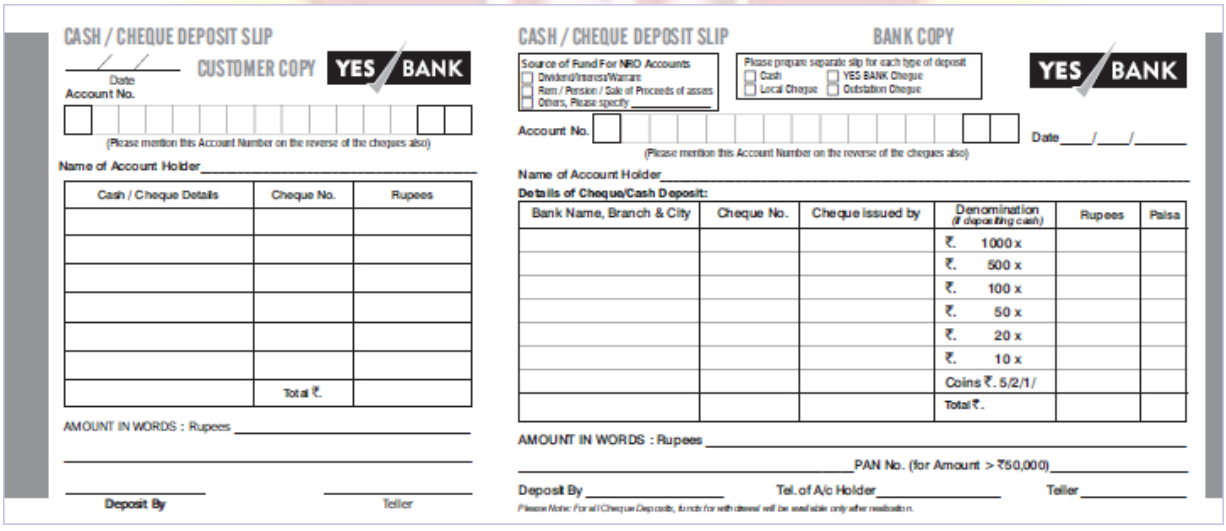
KYC Norms also insist upon banks to ensure strict monitoring of transactions. Banks should pay a special attention to transactions that involve large amounts of cash. Generally, banks are expected to maintain proper record of all cash transactions of Rs.10 lakh and above either deposits or withdrawals. Suspicious nature of transactions should be reported to the Controlling Office/Head Office immediately.

(iv) Risk Management:

Banks may apply monetary limits based on the nature and type of the account. Clear-cut responsibility should be fixed for strict implementation of KYC norms. The internal auditors should check whether KYC norms and procedures are strictly followed and lapses, if any should be brought to light immediately.

All banks have been directed by the RBI to get complete identity of their customers under 'Know Your Customer' Norms. Account without proper identification will not be allowed to be operated from April 2010 onwards.

SPECIMEN COPY OF PAY-IN-SLIP



CASH / CHEQUE DEPOSIT SLIP — CUSTOMER COPY — YES BANK

Date ____/____/____

Account No.

(Please mention this Account Number on the reverse of the cheques also)

Name of Account Holder _____

Cash / Cheque Details	Cheque No.	Rupees
	Total ₹.	

AMOUNT IN WORDS : Rupees _____

Deposit By _____ Teller _____

CASH / CHEQUE DEPOSIT SLIP — BANK COPY — YES BANK

Source of Fund For NRO Accounts: Dividend/Interest/Warrant; Rent / Pension / Sale of Proceeds of assets; Others, Please specify _____

Please prepare separate slip for each type of deposit: Cash; YES BANK Cheque; Local Cheque; Outstation Cheque

Account No.

(Please mention this Account Number on the reverse of the cheques also)

Date ____/____/____

Name of Account Holder _____

Details of Cheque/Cash Deposit:

Bank Name, Branch & City	Cheque No.	Cheque issued by	Denomination (If depositing cash)	Rupees	Paisa
			₹. 1000 x		
			₹. 500 x		
			₹. 100 x		
			₹. 50 x		
			₹. 20 x		
			₹. 10 x		
			Coins ₹. 5/2/1/		
			Total ₹.		

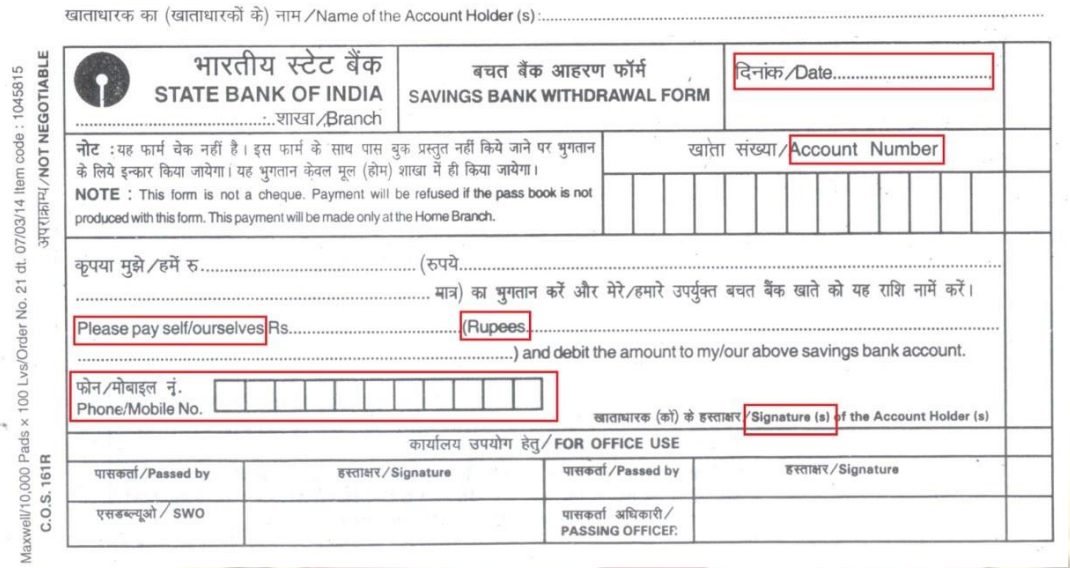
AMOUNT IN WORDS : Rupees _____

PAN No. (for Amount > ₹50,000) _____

Deposit By _____ Tel. of A/c Holder _____ Teller _____

Please Note: For all Cheque Deposits, funds for withdrawal will be available only after realisation.

SPECIMEN COPY OF A WITHDRAWAL ORDER FORM



खाताधारक का (खाताधारकों के) नाम/Name of the Account Holder (s):.....

भारतीय स्टेट बैंक
STATE BANK OF INDIA
.....:शाखा/Branch

बचत बैंक आहरण फॉर्म
SAVINGS BANK WITHDRAWAL FORM

दिनांक/Date.....

नोट : यह फार्म चेक नहीं है। इस फार्म के साथ पास बुक प्रस्तुत नहीं किये जाने पर भुगतान के लिये इन्कार किया जायेगा। यह भुगतान केवल मूल (होम) शाखा में ही किया जायेगा।
NOTE : This form is not a cheque. Payment will be refused if the pass book is not produced with this form. This payment will be made only at the Home Branch.

खाता संख्या/Account Number

कृपया मुझे/हमें रु.....(रुपये.....
..... मात्र) का भुगतान करें और मेरे/हमारे उपर्युक्त बचत बैंक खाते को यह राशि नामें करें।
Please pay self/ourselves Rs.....(Rupees.....
.....) and debit the amount to my/our above savings bank account.

फोन/मोबाइल नं.
Phone/Mobile No.

खाताधारक (कों) के हस्ताक्षर/Signature (s) of the Account Holder (s)

कार्यालय उपयोग हेतु/FOR OFFICE USE

पासकर्ता/Passed by	हस्ताक्षर/Signature	पासकर्ता/Passed by	हस्ताक्षर/Signature
एसडब्ल्यूओ/SWO		पासकर्ता अधिकारी/PASSING OFFICER	

अप्राप्तांक/NOT NEGOTIABLE
Maxwell/10,000 Pads × 100 Lvs/Order No. 21 dt. 07/03/14 Item code : 1045815 C.O.S. 161R

A withdrawal form should be accompanied by the pass book. Every cheque book contains a 'Requisition slip' attached to it at the end. When the cheque book is nearing completion he can fill up the Requisition Slip and obtain a fresh cheque book.

Other Important Points:

1. Every deposit becomes the property of the bank.
2. Generally, the bank is responsible for the safety of the deposit.
3. If the deposit of a customer is the property of another, say a trust, then that deposit does not become the property of the bank.
4. A banker may use his discretion in allowing or not allowing a person to deposit money and it cannot be questioned.
5. If money or cheque is entrusted to an employee of the bank for being credited to the customer's account and if that money/cheque is misappropriated and false entries are made in the pass book, the bank is not liable to make good the loss caused to the customer unless the fraud was committed by the employee in the course of his employment.

CREDIT CARDS

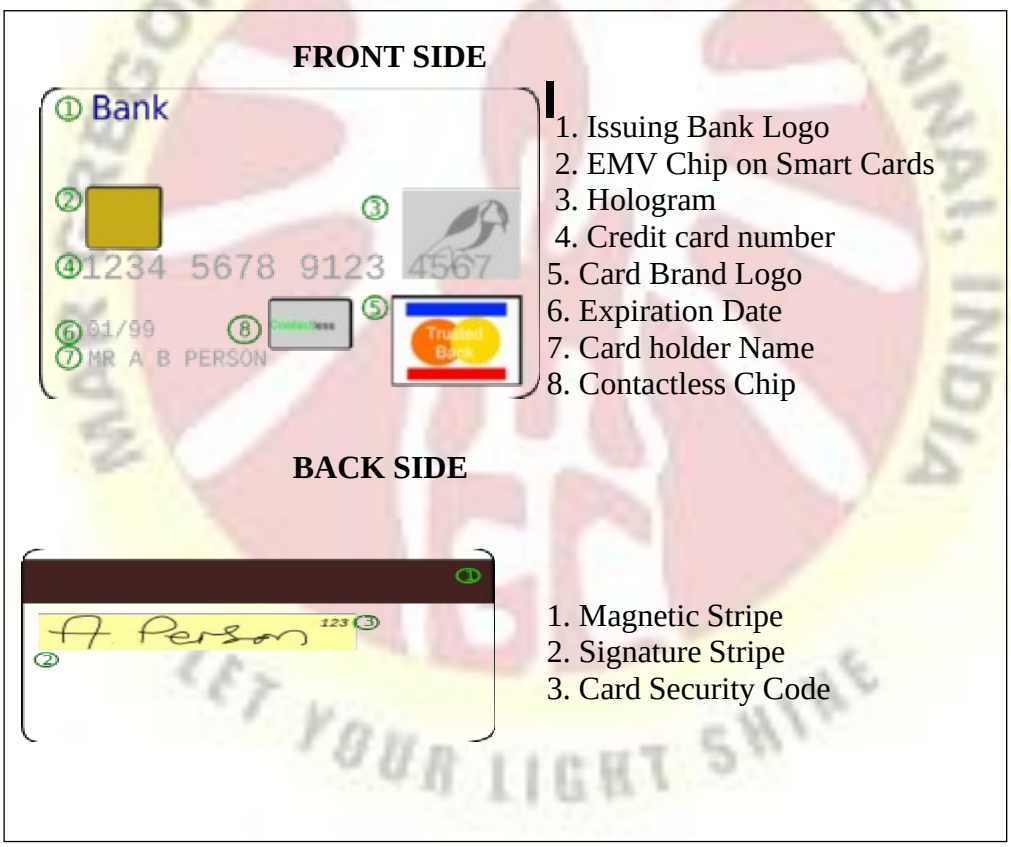
INTRODUCTION

A credit card is a system of payment named after the small plastic issued to users of the system. A credit card is different from a debit card in that it does not remove money from the user's account

after every transaction. In the case of credit cards, the issuer lends money to the customer (or the user). It is also different from a charge card (through this name is sometimes used by the public to describe credit cards), which requires the balance to be paid in full each month. In contrast, a credit card allows the consumer to 'revolve' their balance, at the cost of having interest charged. Most credit cards are the same shape and size, as specified by the ISO 7810 Standard.

Credit cards have higher interest rates (around 34-36 % per year) than most consumer loans or lines of credit. Because of their wide spread acceptance, credit cards are one of the most popular forms of payment for consumer goods and services in the world.

SPECIMEN OF CREDIT CARD



Credit Card Features:

- **Fees:**

  Most credit cards charge fees for various things and it is important to know what thesefees are and how to avoid them.

- **The annual fees:**

  Some credit card companies charge you an annual fee just for using their card. Becauseof

stiff competition, you can often negotiate this fee away if you call and speak to a customer service representative.

- **Cash advance fee:**

Most credit card companies charge you a fee for cash advances. These fees can very but are usually somewhat hefty. Not only will they charge you a one-time fee, but the interest rate for this money will be at a considerably higher rate. Plus, unlike a regular purchase, where interest begins accruing after some grace period passes cash advances accrue interest charges from day one. Many card companies are competing for your business and are now offering an introductory cash advance and balance transfer rates for a specific amount of time. This lower rate can be applied to any balances you may wish to transfer from another card. Although it sounds good, some companies will charge you a fee for the transfer. Know what the fee is before you transfer any balances.

- **Miscellaneous Fees:**

Things like late-payment fees, over-the-credit-limit fees, set up fees and return item fees are all quite common these days and represent a serious amount of money out of your pocket if you get whacked for any of these fees.

- **Incentives:**

Since there are so many credit card companies, competition is stiff. Adding incentives to their offers is one of the more popular ways to tip the scales in their favour. Incentives like more rebates on purchases, frequent flyer miles on certain airlines and extended warranties on purchases are just a few of the bonuses that card companies will now offer.

- **Rewards:**

Many card companies are looking to keep your business and are therefore making it worth your while to use their card. Just simply by using their card you can accumulate points that will in turn earn you rewards. What kind of reward depends solely on the amount of points you accumulate. Since you can't accumulate these points without charging things on your card, this is a classic case of 'you have to spend money to save money'.

Types of Credit Cards:

1. **Business Credit Cards:**

A business credit card offers the business owner the opportunity to keep business and personal expenses separate. The credit card may offer special business rewards and saving

opportunities that go above and beyond what the individual credit card owner may have. Since money management is essential in successfully running a business, the card may offer anexpense management service that will allow you to keep track of the outgoing money. You can obtain additional credit cards for employees who may need them for travel expenses and such as well as have a higher credit limit than you normally would on an individual credit card.

2. Student Credit Cards:

Many credit card companies will issue student credit cards that have lower credit limits and fewer incentives to help keep their spending in check.

3. Prepaid Debit Cards:

Prepaid debit cards are one type of credit card that has grown significantly in recent years. Although they work like a traditional credit card when making a purchase, that is, where the similarities end. With prepaid debit cards, you have actually prepaid and set the credit limitby depositing money onto the debit card.

4. Credit cards for Bad credit:

It is possible, even with bad credit to obtain a credit card. These cards will come with some restrictions not typically found on other types of credit cards. Your credit limit will be lower and your interest rate higher. Some may require you to have a secured credit card, meaningyou have to maintain a savings or some other type of account that will cover the expenses on the credit card.

5. Cash Back Credit Cards:

Many credit cards will now offer you cash back incentives for using their credit cards. Depending on how much your balance is and how often you use the credit card, earn back for your purchases.

DEBIT CARD

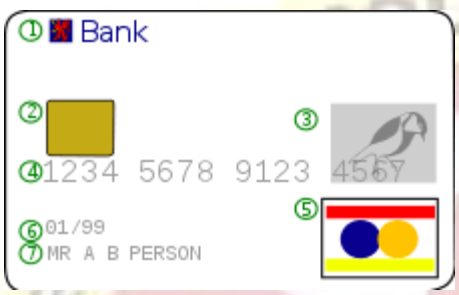
Introduction:

A debit is an accounting item that diminishes the overall value of an asset. Debit card is a plastic card which provides an alternative payment method to cash when making purchases. Functionally, it can be called an electronic check, as the funds are withdrawn directly from either the bank account, or from the remaining balance on the card. In some cases, the cards are designed

exclusively for use on the Internet and so there is no physical card. Debit cards are similar to credit cards, except debit cards pull money out of your checking or brokerage account. Debit cards do not create or increase a loan like credit cards do. To let the retailer know you're using a debit card.

SPECIMEN OF DEBIT CARD

FRONT SIDE



1. Issuing Bank Logo
2. EMV Chip on Smart Cards
3. Hologram
4. Credit card number
5. Card Brand Logo
6. Expiration Date
7. Card holder Name

BACK SIDE

1. Magnetic Stripe
2. Signature Stripe
3. Card Security Code

Debit Cards and Bad Credit:

For those with bad credit, debit cards are a very useful tool. You can function as if you had a credit card, meaning you don't have to carry cash around with you. However, because a debit card pulls against money in the bank, you can typically qualify for one if your credit has some blemishes. However, they don't help you build credit.

Types of Bank Debit Cards:

Debit cards are offered by banks in the following forms:

- Online Card
- Prepaid card
- Offline card
- Electronic Purse Debit Card
- Debit Cards for telephone, ail and internet transactions

Differences between Credit and Debit cards:

Sl. No.	**Credit Card**	**Debit Card**
1	Borrowing money from a bank or financial institution. (spending "other's" money)	Funds are debited to the money that you have in your Bank account. (Spending your "own" money)
2	Need not be connected to any bank account	Needs a bank account
3	Pay additional interest drawn on the amount borrowed	No interest is to be paid
4	Limit: Credit line	Limit: Equals your account balance / limit

Merits of Debit Cards:

- They help people to be disciplined financially, since one cannot splurge with the limited amount of funds deposited for the card.
- A person with poor credit can obtain a debit card without too much trouble.
- Debit cards can be used to make online purchases and payments.

- They provide freedom from carrying cash and checks while travelling, thereby offering more safety.
- Debit cards do not charge high interest rates or fees on card transactions.

Disadvantages of Debit Cards:

- Debit cards come with lesser fraud protection facilities than credit cards.

Some transactions cannot be carried out with a debit card, such as renting a car in a foreign country.

ATM (Automated Teller Machine)

Introduction:

ATM services provide cost effective, highly scalable network based solutions for Carriers and Service Providers to meet their customers' Wide Area transmission needs. It allows customers to tailor the service to meet specific traffic requirements thus, increasing bandwidth efficiency ensure services are automatically re-routed around the primary route to the backup path to provide optimum performance.

Provides the highest level of resilience and diversity enables carriers and service providers to extend their global investment coverage.

Provides a single integrated network for smaller Frame Relay sites and larger ATM locations demonstrates reaches commitment to quality and reliability highest service quality is maintained provides a web based network monitoring tool for customers to view and analyze network performance data.

Operation of ATM:

For using an ATM, a customer requires an ATM card. It is made of plastic with a magnetic stripe or a plastic smart card with a chip. Customer has a special card number that is referred to as a PIN (personal identification number). The customer has to insert the card in the machine and quote his/her PIN. Upon successfully entry of the PIN, the customer may perform a transaction. After the completion of the transaction, a transaction record is printed, usually stating the action taken, date, time, location, available balance.

Functions and Uses of ATMs:

- 24-hour access to cash
- Ability to view Account Balances & Mini-statements

- Order a Cheque Book / Account Statement
- Transfer Funds between accounts
- Refill your Prepaid card or prepaid phone accounts
- Pay your utility bills like Electricity bills, post-paid mobile bills
- Deposit cash or cheques
- Change your PIN
- Learn about other products

Customer Complaints Management for ATM transactions:

- As per the RBI instructions banks have been mandated to resolve customer complaints by re-crediting the customer's account within 7 working days from the date of complaint in the case of a failed ATM transaction.
- Effective from July 1, 2011, banks have to pay customers Rs. 100/- per day as penalty for delays beyond 7 working days. If the complaint is not lodged within 30 days of transaction, the customer is not entitled for any compensation for delay in resolving his / her complaint.
- If the bank does not redress the complaint within the stipulated time, the customer can make a complaint to the local Banking Ombudsman.

Evolution of ATMs:

The ATM was invented by Scot John Shepherd-Barron.

The world's first ATM was installed in a branch of Barclays in the northern London borough of Enfield, Middlesex, in 1967.

A mechanical cash dispenser was developed and built by Luther George Simjian and installed in 1939 in New York City by the City Bank of New York.

The first person to use the machine was Reg Varney of "On the Buses" fame, a British Television programme from the 1960s.

The idea of a PIN stored on the card was developed by the British engineer John Rose in 1965.

The modern, networked ATM was invented in Dallas, Texas, by Don Wetzel in 1968. Notable historical models of ATMs include the IBM 3624 and 473x series, Diebold 10xx

and TABS 9000 series, and NCR 5xxx series.

The first ATM started functioning in India in the late 1980s.

How to Use the ATM:

Using the ATM is explained in seven steps below:

Step 1: Insert your card into the ATM machine with the side that has the arrow going in first.

Step 2: Enter your pin when prompted by the machine then press proceed button.

Step 3: Select the "withdrawal" option by pressing the button next to it when prompted by the machine.

Step 4: Select your type of account "Current or Savings" option by pressing the button next to it when prompted by the machine.

Step 5: Select the amount you want by pressing the button next to it when prompted by themachine.

Step 6: The machine will request if you want a receipt for the transaction? Proceed with the desired by pressing either the Yes or No button.

Step 7: Once the transaction is completed, the machine will

- Dispense the amount to you.
- Dispense the receipt on the amount (If you had selected the Yes button in Step 6).
- Release your ATM Card.

Advantages of ATM:

- **ATM provides 24 hours service:** ATMs provide service round the clock. The customer can withdraw cash upto a certain limit during any time of the day or night.
- **ATM gives convenience to Bank's customers:** ATMs provide convenience to the customers. Now-a-days, ATMs are located at convenient places such as at the airports, railway stations, etc.
- **ATM reduces the workload of Bank's staff:** ATMs reduce the work pressure on bank'sstaff and avoid queues in bank premises.
- **ATM provides service without any error:** ATMs provide service without any error. The customer can obtain exact amount. There is no human error as far as ATMs are concerned.
- **ATM is very beneficial for travelers:** ATMs are of great help to travelers. They need not carry large amount of cash with them. They can withdraw cash from any city or state,

across the country and even from outside the country with the help of ATM.

- **ATM may give customers new currency notes:** The customer also gets brand new currency notes from ATMs. In other words, customers do not get solid notes from ATMs.

WHAT IS A CASH DEPOSIT MACHINE?

The Cash Deposit Machine (CDM) is a self-service terminal that lets you make deposits and payment transactions by cash. Surprised? Yes, you can skip the long queues at your bank and simply head to your nearest ATM if you wish to deposit money in your account or would like to make a payment.

The biggest advantage about these machines installed at ATMs is that you can deposit money round the clock. How cool is that?

However, you will also find CDMs located inside your bank, which can be used during regular banking working hours. These machines save you time spent waiting in those long queues where a teller would normally assist you to deposit your money.

Additional Reading: 8 Useful Services Provided By ATMs

How does a Cash Deposit Machine work?

A Cash Deposit Machine is easy to use. All you need is your Debit Card or your bank account number. Some Cash Deposit Machines allow you to swipe your Debit Card to make a transaction, while others require you to manually key in your bank account number.

The machine prompts you for confirmation when you enter the account number before you deposit the currency notes. You will also be asked to enter your Debit Card PIN number.

Once you select the option for ‘deposits’, you will then have to choose the account you want to deposit the money into. And once you enter the correct amount, your transaction will go through successfully. Customers will receive an advice slip confirming completion of the transaction.

Step by step procedure to deposit money using your Debit Card

1. Just like how you would use your Debit Card to withdraw money, you need to insert your card into the machine.
2. After you’ve inserted your card, you will be prompted to enter your PIN number.
3. Once you’ve entered the correct PIN, the machine will ask you to enter the amount you wish to deposit in your account.
4. And upon entering the amount, you will have to confirm the amount on the machine. Once this is done you will receive a confirmation slip stating that the transaction has taken place successfully.

Wasn’t this easy?

So, what happens when you don't have your Debit Card and need to deposit money? That's possible too. Let's find out how!

Step by step procedure to deposit money without a Debit Card

You can deposit money into your account even if you don't have your Debit Card with you. Check for the option 'deposit without card' on the CDM and select it. Once you select that option, the machine will ask you to enter your bank account number.

1. Once you enter your bank account number, you will then have to press the amount you wish to deposit.
2. The next step is to confirm the amount on the machine.
3. Since this transaction will take place without your Debit Card, you will have to place the cash in the deposit slot and let the machine take it in. When the machine takes in the cash, it will display the currency denominations received on the screen.
4. You will then receive a confirmation slip for the completion of your transaction.

Keep in mind that you can also make payments to different accounts using this machine. All you need to do is follow the same steps that you would in case you don't have a Debit Card. But, you need to know the account numbers you wish to transfer the money to.

What is the maximum and minimum amount that can be deposited in a Cash Deposit Machine?

The per transaction limit to deposit money varies from bank to bank. However, the minimum amount that can be deposited is Rs. 100 and the maximum amount is Rs. 49,900 per transaction (or below Rs. 50,000).

The cash deposit machine will accept all currency notes in multiples of Rs. 100 up to Rs. 2,000.

How to Deposit Cash in Cash Deposit Machine?

If you are wondering how to deposit cash in CDM, don't worry, because it is an easy process. You can deposit money by either using your debit card or account number. Just place your money in the Cash Deposit Money and follow the simple steps that appear.

Deposit in your own account using your debit card:

- Insert debit card and enter PIN for validation.
- Select account type (Saving or Current).
- Place the money in the cash deposit slot and click "Continue".
- Machine will sort the cash and will show denomination-wise amount to be deposited.
- If correct, click "Deposit".
- Amount will be deposited.
- Receipt will be generated.

SELF SERVICE PASSBOOK PRINTER

Self Service Passbook Printer is an automated kiosk where in customer can print their passbook on their own. SSPBP kiosk recognizes the account details from the magnetic strip placed on the Passbook, through these details kiosk fetches the account transaction details and prints it on passbook. Customer can use this facility 24x7 from the SSPBP machine installed in Elobby/ATM. Some of the salient features of this product are:

- Self Service Passbook Printer (SSPBP) is a fully automated machine having the ability to auto flip, auto align and update the customer passbook without any intervention of branch staff or the customer.
- It is a specialized machine, where customer has to simply insert passbook with only cover page opened and thus it is very convenient for all strata of customers.
- Machine will automatically flip and align the pages and print on appropriate page/locations.
- Passbook used in SSPBP is magnetic stripe based. It will bear a pre-printed number which is already stored in the magnetic stripe of the passbook and mapped with the customer's account.
- Passbook pages have been made with grey scale strips, facilitating easy reading.
- Simple and customer convenient process.
- No manual intervention or help of branch official required.
- Services available 24X7 (in e-lobbies and ATM cabins).

Further, value additions like self mapping of passbook (by customers) at SSPBP without approaching the branch for issuance of subsequent passbook etc. are enabled to enhance customer experience.

A **passbook** or bankbook is a paper book used to record bank or building society transactions on a deposit account. Traditionally, a passbook is used for accounts with a low transaction volume, such as savings accounts

MICR

MICR (magnetic ink character recognition) is a technology used to verify the legitimacy or originality of paper documents, especially checks. Special ink, which is sensitive to magnetic

fields, is used in the printing of certain characters on the original documents. Information can be encoded in the magnetic characters.

The use of MICR can enhance security and minimize the losses caused by some types of crime. If a document has been forged - for example, a counterfeit check produced using a color photocopying machine, the magnetic-ink line will either not respond to magnetic fields, or will produce an incorrect code when scanned using a device designed to recover the information in the magnetic characters. Even a legitimate check can be rejected if the MICR reader indicates that the owner of the account has a history of writing bad checks.

Retailers commonly use MICR readers to minimize their exposure to check fraud. Corporations and government agencies also use the technology to speed up the sorting of documents.

Indian Financial System Code (IFSC). It is used for electronic payment applications like Real Time Gross Settlement (RTGS), National Electronic Funds Transfer (NEFT), Immediate Payment Service, an interbank electronic instant mobile money transfer service (IMPS), and Centralised Funds Management System (CFMS) developed by Reserve Bank of India (RBI). Code has eleven characters "Alpha Numeric" in nature. First four characters represent bank, fifth character is default "0" left for future use and last six characters represent branch.

MICR Code: Magnetic Ink Character Recognition as printed on cheque book to facilitate the processing of cheques.

IFSC is short for Indian Financial System Code and represents the 11 digit character that you can usually see on your bank's cheque leaves, or other bank sponsored material. This 11 character code helps identify the individual bank branches that participate in the various online money transfer options like NEFT and RTGS.

FUND TRANSFER THROUGH ECS

ECS is an electronic mode of **funds transfer from** one **bank** account **to** another. It can be used **by** institutions for making payments such as distribution of dividend interest, salary, pension, among others. It can also be used to pay bills and other charges such as telephone, electricity, water or for making equated monthly installments payments on loans as well as SIP investments. ECS can be used for both credit and debit purposes.

How do you avail of an ECS scheme?

You need to inform your bank and provide a mandate that authorizes the institution, who can

then debit or credit the payments through the bank. The mandate contains details of your bank branch and account particulars. It is the responsibility of the institution to communicate the details of the amount being credited or debited to their account, indicating the date of credit and other relative particulars of the payment. You will know the money has been debited from your account through mobile alerts or messages from the bank.The ECS user can set the maximum amount one can debit from the account, specify the purpose of debit, as well as set a validity period for every mandate given.

What are the processing or service charges levied on the customer?

The Reserve Bank of India has deregulated the charges to be levied by sponsor banks from institutions. Destination bank branches have been directed to afford ECS credit free of charge to the beneficiary account holders. So, it costs you nothing.

How do you discontinue an ECS scheme?

There are two steps you have to follow to ensure appropriate closure. Firstly, the service provider, which is the beneficiary of the payment, will have to be given a written communication in the way stipulated by them, in order to discontinue the services. And next, the bank, which is the channel of payment, will also have to be given a written application stating you would like to discontinue.

NEFT

National Electronic Fund Transfer (**NEFT**) is a nation-wide payments system that allows the transfer of funds from one bank's account to another. With an increased focus on online banking, **NEFT** has become one of the most popular ways of transferring funds. Since it can electronically transfer funds from any bank branch to any individual, it has eliminated the need to visit a bank branch for transfer of funds.

Let us learn about how NEFT operates in India, what are its benefits and find out more about what is NEFT.

What is NEFT Process?

Stated simply, if an individual wish to transfer a sum of money from his bank account to another person’s bank account, he can do so through the process of NEFT, instead of withdrawing money and then paying it in cash or by writing out a cheque.

The main benefit offered by NEFT is that it can transfer funds from any account of any branch to any

other bank account located at any place

The only condition is that both the sender and receiver branches should be NEFT-enabled

You can check the list of NEFT-enabled bank branches on RBI's website or just call your bank's customer service to confirm the same

NEFT system also facilitates the one-way cross-border transfer of funds from India to Nepal under the Indo-Nepal Remittance Facility Scheme

NEFT Timings

NEFT works on a round-the-clock basis i.e. 24×7, 365 days. Earlier, NEFT transactions were available from 8:00 AM to 6:30 PM from Monday to Friday only. However, RBI has regularised that NEFT transactions will be available 24*7 on all days of the year, including holidays.

Also, after usual banking hours, NEFT transactions are expected to be automated transactions initiated using 'Straight Through Processing (STP)' modes by the banks.

RTGS

The term real-time gross settlement (**RTGS**) refers to a funds transfer system that allows for the instantaneous transfer of money and/or securities. **RTGS** is the continuous process of settling payments on an individual order basis without netting debits with credits across the books of a central bank. Once completed, real-time gross settlement payments are final and irrevocable. In most countries, the systems are managed and run by their central banks.

KEY TAKEAWAYS

- Real-time gross settlement is the continuous process of settling interbank payments on an individual order basis across the books of a central bank.
- This system's process is opposed to netting debits with credits at the end of the day.
- Real-time gross settlement is generally employed for large-value interbank funds transfers.
- RTGS systems are increasingly used by central banks worldwide and can help minimize the risks related to high-value payment settlements among financial institutions.

How Real-Time Gross Settlement (RTGS) Works

When you hear the term real-time, it means the settlement happens as soon as it is received. So, in simpler terms, the transaction settles in the receiving bank immediately after it is transferred from the sending bank. Gross settlement means transactions are handled and settled individually,

so multiple transactions aren't bunched or grouped together. This is the basis of a real-time gross settlement system.

An RTGS system is generally used for large-value interbank funds transfers operated and organized by a country's central bank. These transfers often require immediate and complete clearing. As mentioned above, once transactions are settled, they cannot be reversed.

The first system resembling a real-time gross settlement system was the U.S. Fedwire system, which was launched in 1970. That system was an evolution of a previous telegraph-based system, which was used to transfer funds electronically between U.S. Federal Reserve banks. In 1984, the United Kingdom and France both implemented RTGS type systems.

The British system, called the Clearing House Automated Payment System (CHAPS), is currently run by the Bank of England. France and other Eurozone nations share a system called TARGET2 (for Trans-European Automated Real-time Gross Settlement Express Transfer System). Other developed and developing countries have also introduced their own RTGS-type systems.

Real-time gross settlement lessens settlement risk—also referred to as delivery risk—overall, as interbank settlement usually occurs in real-time throughout the day—instead of simply all together at the end of the day. This eliminates the risk of a lag in completing the transaction. RTGS can often incur a higher charge than processes that bundle and net payments.

RTGS vs. Bankers' Automated Clearing Services (BACS)

A real-time gross settlement system is different from net settlement systems, such as the United Kingdom's Bacs Payment Schemes Limited, which was previously known as the Bankers' Automated Clearing Services (BACS). Transactions that take place between institutions with BACS are accumulated during the day. At the close of business, a central bank adjusts the active institutional accounts by the net amounts of the funds exchanged.

RTGS does not require an actual physical exchange of funds. A central bank will often adjust the accounts of the sending and receiving bank in electronic form. For example, sender Bank A's

balance will be reduced by $1 million, while recipient institution Bank B's balance will be increased by $1 million.

Benefits of Real-Time Gross Settlement (RTGS)

RTGS systems, increasingly used by central banks worldwide, can help minimize the risk to high-value payment settlements among financial institutions. Although companies and financial institutions that deal with sensitive financial data typically have high levels of security in place to protect information and funds, the range and nature of online threats are constantly evolving.

RTGS-type systems help protect financial data by making it vulnerable to hackers for a briefer time window.

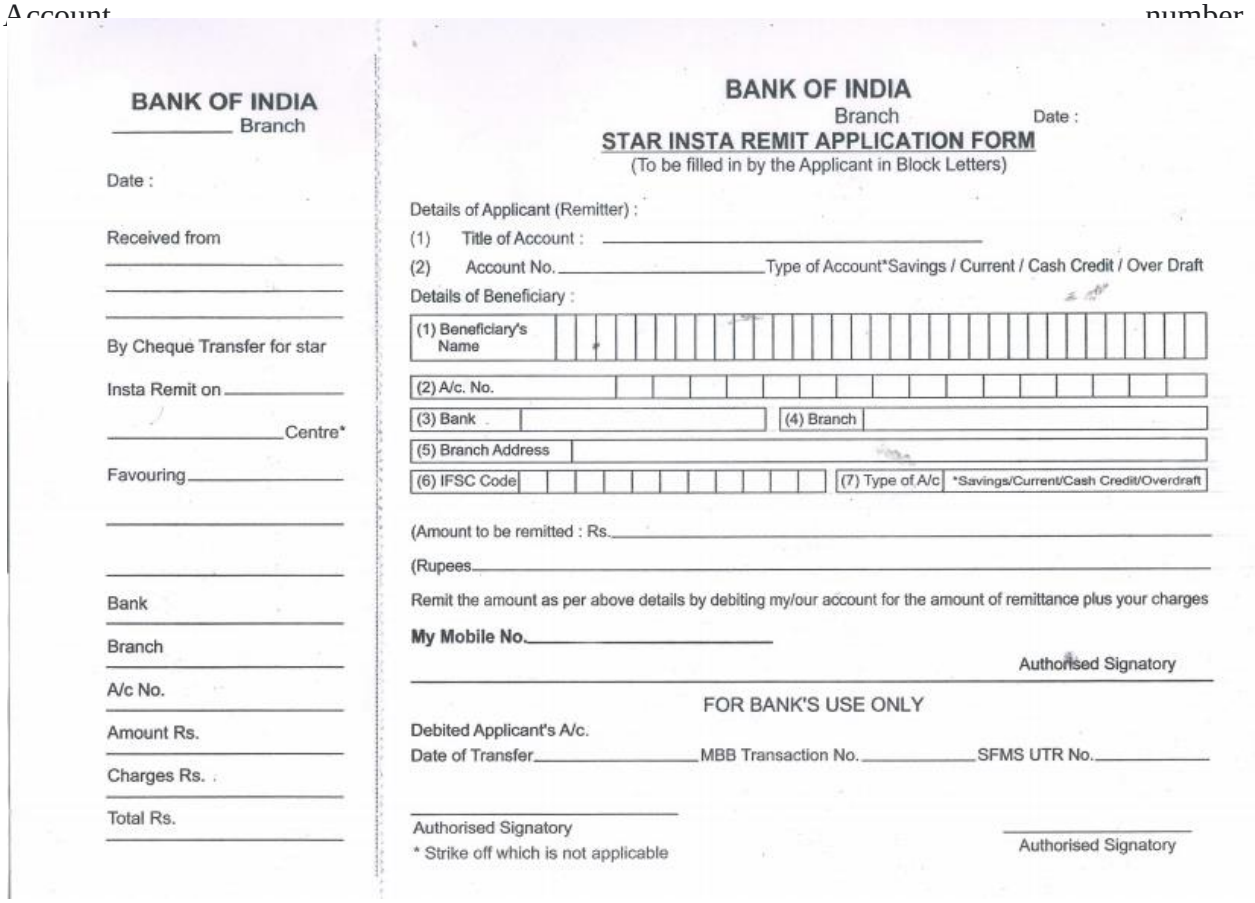
Real-time gross settlement can allow a smaller window of time for critical information to be vulnerable, thus helping mitigate threats.

FORM FILLING FOR FUND TRANSFER

How to Fill Bank of India RTGS Form

- Payment Information. Amount to be remitted. Cheque number if the **money** is paid via cheque.
- Remitter Information. Title of account. Contact number. Type of account (savings/ current/ cash credit/ overdraft)

- Beneficiary Information. Name. IFSC code. **Bank** name. Branch address. Type of account. Account number



BANK OF INDIA
_____ Branch

Date :

Received from
_____
_____
_____

By Cheque Transfer for star

Insta Remit on _____

_____ Centre*

Favouring _____

_____

_____

Bank _____

Branch _____

A/c No. _____

Amount Rs. _____

Charges Rs. _____

Total Rs. _____

BANK OF INDIA
Branch Date :

STAR INSTA REMIT APPLICATION FORM
(To be filled in by the Applicant in Block Letters)

Details of Applicant (Remitter) :

(1) Title of Account : _____

(2) Account No. _____ Type of Account*Savings / Current / Cash Credit / Over Draft

Details of Beneficiary :

(1) Beneficiary's Name

(2) A/c. No.

(3) Bank | (4) Branch

(5) Branch Address

(6) IFSC Code | (7) Type of A/c | *Savings/Current/Cash Credit/Overdraft

(Amount to be remitted : Rs. _____

(Rupees _____

Remit the amount as per above details by debiting my/our account for the amount of remittance plus your charges

My Mobile No. _____

Authorised Signatory

FOR BANK'S USE ONLY

Debited Applicant's A/c.

Date of Transfer _____ MBB Transaction No. _____ SFMS UTR No. _____

Authorised Signatory

* Strike off which is not applicable

Authorised Signatory

- Payment Information
  - Amount to be remitted
  - Cheque number if the money is paid via cheque
- Remitter Information
  - Title of account
  - Contact number
  - Type of account (savings/ current/ cash credit/ overdraft)
- Beneficiary Information
  - Name
  - IFSC code
  - Bank name
  - Branch address

- Type of account
- Account number

Bank of India RTGS form is editable and fillable online. Applicants can download, take a print and submit the hard copy at the bank branch to initiate the RTGS transaction. The form can be uploaded online to initiate the RTGS transaction via net banking and mobile banking.

UNIT- 2

ONLINE BANKING

What is Internet Banking?

Internet banking, also known as online banking or e-bankingor Net Banking is a facility offered by banks and financial institutions that allow customers to use banking services over the internet. Customers need not visit their bank's branch office to avail each and every small service. Not all account holders get access to internet banking. If you would like to use internet banking services, you must register for the facility while opening the account or later. You have to use the registered customer ID and password to log into your internet banking account.

2. Features of Online Banking

- Check the account statement online.
- Open a fixed deposit account.
- Pay utility bills such as water bill and electricity bill.
- Make merchant payments.
- Transfer funds.
- Order for a cheque book.
- Buy general insurance.
- Recharge prepaid mobile/DTH.

3. Advantages of Internet Banking

The advantages of internet banking are as follows:

- **Availability:** You can avail the banking services round the clock throughout the year. Most of the services offered are not time-restricted; you can check your account balance at any time and transfer funds without having to wait for the bank to open.
- **Easy to Operate:** Using the services offered by online banking is simple and easy. Many find transacting online a lot easier than visiting the branch for the same.
- **Convenience:** You need not leave your chores behind and go stand in a queue at the bank branch. You can complete your transactions from wherever you are. Pay utility bills, recurring deposit account instalments, and others using online banking.
- **Time Efficient:** You can complete any transaction in a matter of a few minutes via internet banking. Funds can be transferred to any account within the country or open a fixed deposit account within no time on netbanking.
- **Activity Tracking:** When you make a transaction at the bank branch, you will receive an acknowledgement receipt. There are possibilities of you losing it. In contrast, all the transactions you perform on a bank's internet banking portal will be recorded. You can show this as proof of the transaction if need be. Details such as the payee's name, bank account number, the amount paid, the date and time of payment, and remarks if any will be recorded as well.

4. Disadvantages of Internet/Online Banking

The disadvantages of internet banking are as follows:

- **Internet Requirement:** An uninterrupted internet connection is a foremost requirement to use internet banking services. If you do not have access to the internet, you cannot make use of any facilities offered online. Similarly, if the bank servers are down due to any technical issues on their part, you cannot access net banking services.
- **Transaction Security:** No matter how much precautions banks take to provide a secure network, online banking transactions are still susceptible to hackers. Irrespective of the advanced encryption methods used to keep user data safe, there have been cases where the transaction data is compromised. This may cause a major threat such as using the data illegally for the hacker's benefit.
- **Difficult for Beginners:** There are people in India who have been living lives far away from the web of the internet. It might seem a whole new deal for them to understand how internet banking works. Worse still, if there is nobody who can explain them on how internet banking works and

the process flow of how to go about it. It will be very difficult for inexperienced beginners to figure it out for themselves.

- **Securing Password:** Every internet banking account requires the password to be entered in order to access the services. Therefore, the password plays a key role in maintaining integrity. If the password is revealed to others, they may utilise the information to devise some fraud. Also, the chosen password must comply with the rules stated by the banks. Individuals must change the password frequently to avoid password theft which can be a hassle to remember by the account holder himself.

Internet is working as a blessing for all of us. In simple words, it makes our work easy and saves our time. Especially, it has made our life much easier with the new internet banking facility. Previously, even to activate your internet banking facility, you were required to visit the branch, submit the duly filled form, and wait in the queue to receive the kit containing further instructions to activate the facility.

But now, you no more have to visit the bank branch and wait in queue for every small work. You can just simply register yourself for the Net banking facility from home.

Here are the few steps on how you can simply register for net banking online

Step 1: Visit www.onlinesbi.com

Step 2: After the online SBI home page appears, click the 'Login' button on the personal banking section

Step 3: A new page will appear, click on 'Continue to Login.'

Step 4: After that a new login page is displayed, there click on the link 'New user? Register here.'

Step 5: A new pop-up will appear on the same screen asking (If you have already obtained Pre-Printed Kit from the branch for activating INB facility, please don't proceed with this link. You can input user ID and password given in PPK on normal login screen.) Click 'OK' in the alert message box.

Step 6: A tab will open, asking you to register yourself as a new user. Select 'New User Registration' option and click on 'Next'.

Step 7: A new page will be displayed on your screen asking you to fill the 'User Driven Registration' form. Enter all your details over here-- Account number, CIF number, branch code, country, registered mobile number, facility required, and code. You can find all the details of your account number, CIF number details, and branch code on the front page of your passbook.)

Step 8: Recheck all the entered details and click on 'Submit'

Step 9: If all your details are correct then a one-time password (OTPwill be sent to your registered mobile number. Enter the OTP and click on 'Confirm.'

Step 10: After that select the option 'I have my ATM card (Online registration without branch visit)' and click on 'Submit.'

Step 11: You have to enter the required your ATM card details and the code to enter. After that click on 'Submit'

Step 12: Your temporary user name will be displayed and you will be asked to create your login password. Create a new login password (Your password must consist of at least 8 characters and should be a combination of upper case and lower case alphabets and at least one number and one special character.)

Step 13: Re-enter the password to confirm. After that click on 'Submit'.

Step 14: When your registration is done successfully, you have to log in to internet banking services with the temporary username and password.

Step 15: After that again go to the home page and click the login button in the personal banking.

Step 16: Login with temporary username and password.

Step 17: Again, you have to create a temporary user name of your choice. Select the terms and condition and click on 'Submit'.

Step 18: After submitting, a new page will be displayed. Here you will be asked to create a new login password. These passwords are different from the previous one.) Click on 'Confirm'

Step 19: After that, a page will be displayed asking you to enter all the required details like, enter profile password, confirm profile password, hint question. You have to select the secret question from the list and provide answers to them that can help you in future in case you forget your password.)

Step 20: After that, you need to enter some more details (Place of birth, country and mobile number as registered in the bank's record). After that Click on 'Submit'.

Your profile password and personal details are saved in a confirmation page. 'Click the summary link'

What is my **User ID** for Online Banking? Your User ID is either your account number or something that you created comprised of letters and numbers (e.g., JaneSmith123) when you enrolled. If you forget your User ID, you can recover it at any time by accessing the Forgot User ID or Password link

Punjab & Sind Bank has started New User registration and Password Generation for Retail Users Online registered user for Internet Banking facility will be provided View only Facility by default.

Pre-requisites for Online request for Internet Banking:

- Customer's Mobile Number should be registered for SMS Alerts for availing Internet Banking Facility.
- User ID of Internet Banking is customer's Customer ID
- Customer's PAN Number or Date of Birth should be updated at branch level

Steps for New User Registration for Internet Banking:

- Customer has to click on "Internet Banking Retail User "
- Customer has to click **< New User link >** and then click **< New User Registration >**
- Customer has to enter **User Id (Customer ID)** and validate PAN Number or Date of Birth
- After validation of **PAN No or Date of Birth** customer has to enter **Registered Mobile No.**
- User Id and Mobile No. are validated from database and OTP is sent to the Registered Mobile No.
- Once OTP is validated, User Registration is successful and **Request ID** is generated which is sent through SMS to the customer's Registered Mobile No.
- Customer will receive SMS alerts message regarding activation of Internet Banking and Login Password generation (Activation SMS for Internet Banking facility) on registered mobile number within 72 hours.
- Customer has to generate the Login Password within 15 days after activation of Internet Banking. If customer is not able to generate password within 15 days then request will get expired and customer has to register again as stated above.

Steps for New User Password Generation:

- After activation SMS is received customer can generate Login Password as per steps given below:
- In order to Generate Password customer has to click New User Password Generation in New User link on Internet Banking Retail Login page
- Customer needs to enter User Id (Customer ID), Registered Mobile No and Request ID (generated at the time of User Registration).
- User Id and Mobile Number are validated from database and OTP is sent to the Registered Mobile Number of the customer.
- Once OTP is validated customer is asked to generate Login password for the first time.
- After successful generation of password customer can login into Internet Banking by providing User ID and Login Password.

Steps for Availing View or View and Transaction Facility:

- After successful login to Internet Banking if customer wants to avail transaction facility, customer can change Menu Profile as per steps below:
- Online registered customer for Internet Banking facility is provided by default **View Only facility**, If customer wants to avail transaction facility then He / She has to change his / her profile through Preferences -> **Change Menu Profile menu**.
- In Change Menu Profile, two options are given : a) **View Only** b) **View and Transaction**
- Customer needs to click **View and Transaction** and then enter Registered Mobile Number.
- Mobile Number is validated from database and OTP is sent to the Registered Mobile Number.
- After successful validation of OTP customer is asked to enter **Account No linked to ATM cum Debit Card, ATM cum Debit Card Number, ATM Pin and ATM Validity (YYMM)**
- After successful validation of ATM Details , customer Profile changed and customer has to logout and login again.
- After login ,customer has to **Generate Transaction Password** from Preferences > Generate Transaction Password Online after providing ATM details for validation.

- At any moment of time if customer want to change Profile from Transaction to View, customer can change the same from Change Menu Profile > **View Option after OTP Validation**
- **Procedure screen link of Internet Banking New User Registration**

Funds Transfer

You can now avail a bouquet of funds transfer services through Internet banking

- Transfer funds within your own accounts
- Transfer funds to third party account held in the same bank
- Make an Inter bank funds transfer to any account held in any bank including State Bank Group
- Pay any VISA credit card bill
- Transfer funds to religious and Charitable institutions
- Record standing instructions to transfer a fixed amount at a scheduled frequency for a period not exceeding one year
- Transfer funds to NRE PIS accounts to facilitate online trading

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Loan repayment using Internet Banking

- Step 1. Select your bank

- Select the bank from which you would like to make your ICICI Bank Loans payment (we partner only with select banks as given in the drop-down).
- Step 2. Provide your Loan details
- Enter your 16-digit alphanumeric loan number twice
- Enter the amount against 'Amount Payable' and click on 'Pay Now'
- You will be redirected securely to the payment interface of your chosen bank.
- Step 3. Confirm Payment
- Enter your authentication details (internet banking user ID and password of your bank account/equivalent details), as requested
- Select the amount you would like to pay
- Your chosen bank account will get debited, instantaneously.
- Step 4. Receive online confirmation

What is Mobile Banking?

Mobile banking refers to the use of a mobile device to carry out financial transactions. The service is provided by some financial institutions, especially banks. Mobile banking enables clients and users to carry out various transactions, which may vary depending on the institution

Currently, mobile banking's become easier with the development of cellular mobile applications. Clients are now able to check their balances, view their bank statement online, make transfers, and even carry out prepaid service purchases.

- **Mobile banking refers to the use of a mobile device to carry out transactions. The service is provided by some financial institutions, especially banks.**
- **Mobile banking services can be categorized into the following: account information access, transactions, investments, support services, and content and news.**
- **To date, many financial institutions and banks make use of both SMS and apps to keep their clients informed of their account activities or to send out alerts to clients regarding possible fraud and/or updates and maintenance of service.**

A Brief History of Mobile Banking

Before the introduction and enablement of mobile web services in 1999, mobile banking was completed primarily through text or SMS; it was known as SMS banking. European banks were on the frontier of mobile banking service offering, using the mobile web via WAP support.

SMS banking and mobile web were the most popular mobile banking products before 2010. With the development of smartphones with iOS or Android operating systems, mobile banking applications (apps) began to evolve. Clients were able to download the banking apps onto their smartphones with more sophisticated interfaces and improved transactional abilities.

To date, many financial institutions make use of both SMS and mobile applications to keep their clients informed of their account activities or to send out alerts regarding possible fraud and/or updates and maintenance of service provision.

Examples can be a text message from a bank, notifying users that their ATMs or apps will not be accessible during a particular time period due to system maintenance, or a confirmation text from the bank regarding a transfer carried out by the client via the mobile app.

Types of Mobile Banking Services

Mobile banking services can be categorized into the following:

1. Account information access

Account information access allows clients to view their account balances and statements by requesting a mini account statement, review transactional and account history, keep track of their term deposits, review and view loan or card statements, access investment statements (equity or mutual funds), and for some institutions, management of insurance policies.

2. Transactions

Transactional services enable clients to transfer funds to accounts at the same institution or other institutions, perform self-account transfers, pay third parties (such as bill payments), and make purchases in collaboration with other applications or prepaid service providers.

3. Investments

Investment management services enable clients to manage their portfolios or get a real-time view of their investment portfolios (term-deposits, etc.)

4. Support services

Support services enable clients to check on the status of their requests for loan or credit facilities, follow up on their card requests, and locate ATMs.

5. Content and news

Content services provide news related to finance and the latest offers by the bank or institution.

Challenges Associated With Mobile Banking

Some of the challenges associated with mobile banking include (but are not limited to):

- Accessibility based on the type of handset being used
- Security concerns
- Reliability and scalability

- Personalization ability
- Application distribution
- Upgrade synchronization abilities

The Importance of Mobile Banking

Mobile banking allows consumers to be able to access banking services from anywhere. Businesses and business owners are now able to save time by making use of mobile applications to process their payments or even receive funds from clients directly to their phone numbers. It is particularly popular among small to medium-sized enterprises (SMEs).

With mobile technology, banks are able to cut down on operational costs while still maintaining client satisfaction. The fact that any client of a bank can make use of their app to request a service, such as opening an account or even the ability to schedule debit orders or other payments from an application, allows for larger transactional volumes, eventually driving business growth.

Accessing the bank 24/7

The ability to call the shots is a boon, and mobile banking is no exception: Unlike a bank branch, mobile banking lets you determine the hours of when you access your account — with some exceptions, such as planned maintenance updates and unexpected outages.

Ultimately, this accessibility saves you time. Consider mobile check deposit, a feature most mobile banking apps offer. In using remote deposit, you can deposit a check from the comfort of your couch.

2. Optimizing your money

Nowadays, the best mobile banking apps are evolving to help you do less thinking about the comings and goings of your money.

For example, Ally Bank offers checking account customers a feature to help organize their digital money and optimize how much money they can regularly save. U.S. Bank messages customers when its algorithms spot an opportunity to save money, or alternatively, forecast when they are at risk of overdrafting an account. Varo, a challenger bank with a federal bank charter, also includes automatic savings tools and something less expected: The digital bank partners with ApexEdge, a service that tries to lower your bills for you.

Optimizing your money also includes the little things, like spending alerts, to keep you informed.

“You are seeing a lot of people say, ‘hey, I want to know every time there is a transaction over $150 or over $250 or whatever that threshold the consumer happens to care about is,” says Zach Bruhnke, co-founder at HMBradley, a challenger bank. “A lot of people want to go and understand things like ‘what are my daily limits?’ Things you’d probably ask your banker or call

a branch for, now you are not one to do it. The push is for more and more information to be available at customers' fingerprints."

3. Paying IOUs

When you are logged into your mobile banking app, it's easy to pay back someone you know.

Banks across the country partner with Zelle (their version of Venmo) so that you can send someone money in minutes through their mobile banking app rather than pay them back with physical cash or IOU slips.

You will only need to know your recipient's email address or phone number to send someone money. If your bank doesn't offer Zelle, it will usually let you transfer funds to someone else's bank account if you know their routing and account number.

4. Strengthening security

Banks are in the business of guarding your assets — including your interactions on their mobile apps. Of course, nothing is foolproof. But there are steps you can take to step up security precautions if you're worried about mobile banking security.

While you may still use a username and password to log in to a mobile banking app, your financial institution may let you enroll in added safety features. You could, for example, enroll in multifactor authentication where you need two (or more) kinds of verification to prove that it's really you. For example, a bank could send a code to your phone for money transfers above a certain amount. In order for the payment to go through, you would need to enter the code in addition to logging in through the app to help verify you are who you say you are.

These days, mobile devices — and some bank apps — will let you log in by scanning your face or fingerprint as yet another way to protect your digital bank account without trading convenience. "In mobile banking, you can really leverage biometrics for authentication," says ABA's Morgan.

That also means if your phone goes missing, you will have an added lock to keep fraudsters out. You can also disable your mobile phone remotely.

Your bank app may also let you share your location to help you spot payment fraud.

"It can be better for security for the consumer because we are getting to the world where we can do things like 'we know where your phone is and if your card is a long way from your phone, it might not be you,'" HMBradley's Bruhnke says. "There are a lot of interesting security controls that can come out of actually having the app installed."

5. Providing added controls

Think of a mobile banking app as a remote control for your money. The app lets you deposit a check and send someone money whenever you wish.

These controls are getting more advanced. Some bank apps let you activate a new credit or debit card, for example.

“If someone tries to use their card that is not activated, a bank for years would just decline the card. That’s the default,” Bruhnke says. “Now if you have the mobile app, you can get a push notification ‘hey your card hasn’t been activated. Do you want to activate that?’”

It’s not the only way banks let you control your cards. A growing number of banks, like Wells Fargo,Ally Bank and Bank of America, let you use your mobile banking app to turn your debit or credit card off if it goes missing or is stolen. It’s a nice feature to help you feel instantly secure in a moment of panic. Calling a 1-800 number is not required if you want to turn your card back on, either.

6. Offering clarity of where your financial data is going

Many of us share our bank data to use services like Venmo and Mint. Depending on how many outside apps you use, it can be quite taxing to remember which company has what bank data. So a number of banks are trying to help customers understand where it’s going by changing the way data is shared behind the scenes.

7. Giving you tailored options

If you are looking for a like-minded community, mobile banking provides a variety of options to serve specific pockets of the population.

Daylight, for example, is building its brand to solve for problems the LGBTQ community experiences, like lower mortgage approval rates and the hassles associated with changing their dead names (the name they were assigned at birth) on bank cards or within online banking if they transition.

While it’s early days, Daylight is partnering with Visa to build a digital brand focused on the community’s needs.

There are also startups building mobile financial services experiences for the Black community, young adults, women and other groups.

Disadvantages of mobile banking

Not all mobile banking apps work well. You could become frustrated with a digital banking experience. Even the best ones will encounter outages every now and then.

As banks layer in ever-more features, navigating the apps can feel daunting, too. It's not always obvious what feature is available or where it's located within the app.

While you could go into a bank branch to get a demo to understand this or that, it's a lot harder to take this action when the country is still social distancing. The good news is that banks are working to make their designs more intuitive.

WAP stands for **Wireless Application Protocol**. It is a protocol designed for micro-browsers and it enables the access of internet in the mobile devices. It uses the mark-up language WML (Wireless Markup Language and not HTML), WML is defined as XML 1.0 application. It enables creating web applications for mobile devices. In 1998, *WAP Forum* was founded by Ericson, Motorola, Nokia and Unwired Planet whose aim was to standardize the various wireless technologies via protocols. WAP protocol was resulted by the joint efforts of the various members of WAP Forum. In 2002, WAP forum was merged with various other forums of the industry resulting in the formation of **Open Mobile Alliance (OMA)**.

WAP Model:

The user opens the mini-browser in a mobile device. He selects a website that he wants to view. The mobile device sends the URL encoded request via network to a WAP gateway using WAP protocol. The WAP gateway translates this WAP request into a conventional HTTP URL request and sends it over the internet. The request reaches to a specified Web server and it processes the request just as it would have processed any other request and sends the response back to the mobile device through WAP gateway in WML file which can be seen in the micro-browser.

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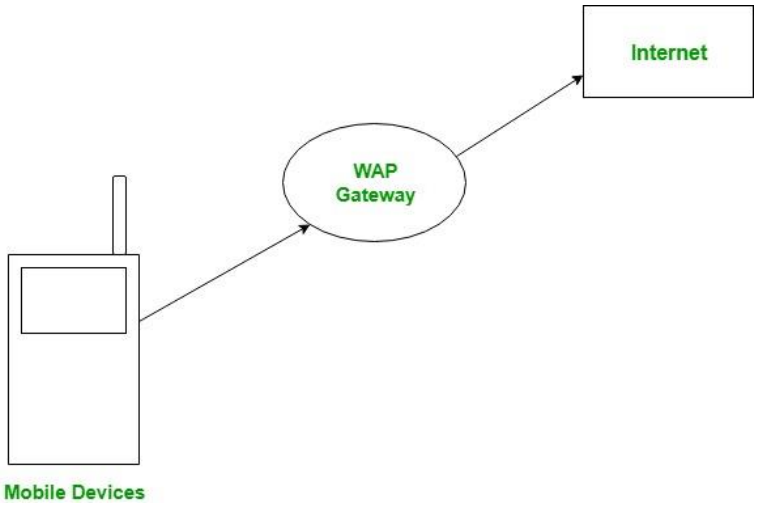

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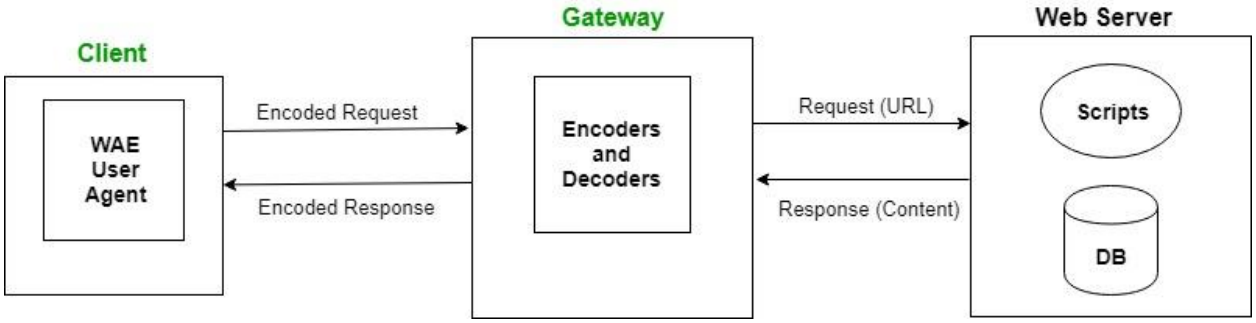

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1. **Application Layer stack:**
   This layer contains the *Wireless Application Environment (WAE)*. It contains mobile device specifications and content development programming languages like WML.
2. **Session Layer:**
   This layer contains *Wireless Session Protocol (WSP)*. It provides fast connection suspension and reconnection.
3. **Transaction Layer:**
   This layer contains *Wireless Transaction Protocol (WTP)*. It runs on top of UDP (User Datagram Protocol) and is a part of TCP/IP and offers transaction support.
4. **Security Layer:**
   This layer contains *Wireless Transaction Layer Security (WTLS)*. It offers data integrity, privacy and authentication.

5. **Transport Layer:**
   This layer contains *Wireless Datagram Protocol*. It presents consistent data format to higher layers of WAP protocol stack.

Unstructured Supplementary Service Data (**USSD**)

Unstructured Supplementary Service Data (**USSD**), sometimes referred to as "**quick codes**" or "**feature codes**", is a communications protocol used by GSM cellular telephones to communicate with the mobile network operator's computers. USSD can be used for WAP browsing, prepaid callback service, mobile-money services, location-based content services, menu-based information services, and as part of configuring the phone on the network.

USSD messages are up to 182 alphanumeric characters long. Unlike short message service (SMS) messages, USSD messages create a real-time connection during a USSD session. The connection remains open, allowing a two-way exchange of a sequence of data. This makes USSD more responsive than services that use SMS.

When a user sends a message to the phone company network, it is received by a computer dedicated to USSD. The computer's response is sent back to the phone, generally in a basic format that can easily be seen on the phone display. Messages sent over USSD are not defined by any standardization body, so each network operator can implement whatever is most suitable for its customers.

USSD can be used to provide independent calling services such as a callback service (to reduce phone charges while roaming), enhance mobile marketing capabilities or interactive data services.

USSD is commonly used by prepaid GSM cellular phones to query the available balance. The vendor's "check balance" application hides the details of the USSD protocol from the user. On some pay as you go networks, such as Tesco Mobile, once a user performs an action that costs money, the user sees a USSD message with his or her new balance. USSD can also be used to refill the balance on the user's SIM card and to deliver one-time passwords or PIN codes.

Some operators use USSD to provide access to real-time updates from social-networking websites like Facebook andTwitter.[2] Wikipedia uses USSD to send articles to some feature phones.[3]

USSD is sometimes used in conjunction with SMS. The user sends a request to the network via USSD, and the network replies with an acknowledgement of receipt:

"Thank you, your message is being processed. A message will be sent to your phone."

Subsequently, one or more mobile terminated SMS messages communicate the status and/or results of the initial request.[4]In such cases, SMS is used to "push" a reply or updates to the handset when the network is ready to send them.[5] In contrast, USSD is used for command-and-control only.

What is MMID?

The Mobile Money Identifier (MMID) is a unique 7-digit identification number issued by the bank account holders using mobile banking. The MMID is a randomly generated number that is usually a combination of the account holder’s mobile number and bank account number.

What is MPIN?

The MPIN is a password to authenticate mobile banking transactions. For newer account holders, the bank usually includes the MPIN with the Welcome Kit.

Generating the MPIN

The first step to generating the MPIN is registering for the mobile banking services offered by Indian Overseas Bank. You can register for mobile banking services through the bank's official internet banking website or by filling out and submitting an application at the bank branch where you hold your account. When you sign up for mobile banking by submitting an application at the bank branch, the bank usually courier's your mobile banking credentials, including your MPIN, to the mailing address registered at the bank.

If you are registering for mobile banking through the Indian Overseas Bank website, you receive your credentials instantly. Once you have entered the details requested for the registration process, you will receive a One-Time Password (OTP) from the bank to authenticate the process. When you enter the OTP you receive a confirmation of your registration for mobile banking.

When the registration process is complete, you will receive a link to download the bank's mobile banking application—IOBMobile— along with your MPIN. You can also download the app from the Google Play Store or App Store—depending on the mobile device you use.

Once the registration process is complete, you can begin using the mobile banking services to transfer funds, check your account summary, pay utility bills and a number of other services offered on the IOBMobile app.

IMPS stands for Immediate Payment Service in Indian banking system terminologies. It is a money transfer mechanism made available by the apex bank of the country, the Reserve Bank of India and the National Payments Corporation of India (NPCI). Initiated in 2010 by the NPCI with the help of a pilot project with 4 major banks, IMPS has now grown to 150+ banks.

The major feature of IMPS is that it is available at all times for usage. It transfers funds instantly and is a great banking platform in case of emergencies. The transaction charges of this platform are also very nominal and the transfer limit is also considerable, approximately Rupees 2 lakhs per day. Moreover, IMPS is available on mobile too which makes it super-convenient.

National Electronic Fund Transfer (NEFT) and RTGS (Real-time gross settlement) transfer mechanisms are only available during their business hours. Moreover, NEFT and RTGS are not available on bank off-days and holidays. However, IMPS scores a point in this regard as it is available 24 x 7.
National Payments Corporation of India (NPCI) is responsible for managing the IMPS fund transfer mechanism. This mechanism is regulated by the Reserve Bank of India. One can define IMPS as an immediate, inter-bank real-time fund transfer mechanism enabled through electronic means.

HOW TO TRANSFER FUNDS USING IMPS?

IMPS can transfer your funds through net-banking and mobile banking platforms. Both the processes are explained below:

The process of IMPS transfer through net-banking is as follows – Log into your bank's net-banking portal; add an IMPS beneficiary by inputting the beneficiary's account no., account type, IFSC Code, name, and contact details; after your bank confirms that the beneficiary has been included, go to Fund Transfer and then select the beneficiary to whom you want to transfer funds. Once you do that the beneficiary's account details will appear, enter Amount and Remarks (optional). Verify the payment and your funds will be transferred instantly through IMPS.

The process of IMPS transfer through mobile banking is as follows – Log into your bank's mobile banking application; add the beneficiary, if not already added (the process of adding a beneficiary has been described above), once the beneficiary is added, click on Send Money/Fund Transfer tab and go to the IMPS option; there enter Beneficiary mobile no., Amount and the beneficiary's Mobile Money Identifier (MMID). The application will then ask for your Mobile PIN (MPIN) to authenticate the transfer, once you verify your Mobile PIN, your money will be transferred and then the bank will send you a confirmation text message mentioning the transaction no. You can use that transaction no. while giving feedback/for queries and complaints.

Moreover, to receive money through IMPS, just provide your mobile no. and Mobile Money Identifier (MMID) to the payer, and then the payer will be able to transfer money to you through IMPS. If the payer is paying you through IMPS net-banking, you will have to provide the payer with your account details such as account name, account no., IFSC Code, etc. so that the payer can add you as a beneficiary.

IMPS was a revolutionary fund transfer system when it was launched in 2010. It made payment settlements faster and easier. Below are some features of the Immediate Payment Service system:

- IMPS is one of the fastest and one of the most reliable ways to conduct inter-account money transfers. The Unified Payment Interface (UPI) is also built on this platform.
- Immediate Payment Service (IMPS) is a fast, safe and secure way to send and receive funds.
- IMPS works on both net-banking and mobile platforms and its services are available at all times even on public and bank holidays and bank off-days.
- Money can be sent to any beneficiary through IMPS mobile platform by only providing his/her mobile no. and Mobile Money Identifier (MMID).
- Bank account nos. are not necessarily required for IMPS fund transfer if you are transacting through mobile. Transfer notification is sent by the bank to both the payer and the payee when the transfer is complete.
- The IMPS fund transfer limit currently is Rupees 2 lakh per day. The minimum allowed transaction value in IMPS is Rupees 1.
- To conduct transactions through the IMPS, you shall have to follow the below steps:
- Register for mobile banking or net banking of your bank account.

- If accessing the IMPS fund transfer through mobile banking, you should have the beneficiary's Mobile Money Identifier (MMID) and your MPIN (Mobile PIN).
- If you are transferring money through IMPS net-banking, you need the payee's account details such as account name, no., IFSC, etc. to pay the beneficiary.

Unified Payments Interface (UPI)

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience.

With the above context in mind, NPCI conducted a pilot launch with 21 member banks. The pilot launch was on 11th April 2016 by Dr. Raghuram G Rajan, Governor, RBI at Mumbai. Banks have started to upload their UPI enabled Apps on Google Play store from 25th August, 2016 onwards.

How is it unique?

- Immediate money transfer through mobile device round the clock 24*7 and 365 days.
- Single mobile application for accessing different bank accounts.
- Single Click 2 Factor Authentication – Aligned with the Regulatory guidelines, yet provides for a very strong feature of seamless single click payment.
- Virtual address of the customer for Pull & Push provides for incremental security with the customer not required to enter the details such as Card no, Account number; IFSC etc.
- Bill Sharing with friends.
- Best answer to Cash on Delivery hassle, running to an ATM or rendering exact amount.
- Merchant Payment with Single Application or In-App Payments.
- Utility Bill Payments, Over the Counter Payments, Barcode (Scan and Pay) based payments.
- Donations, Collections, Disbursements Scalable.
- Raising Complaint from Mobile App directly.

Participants in UPI

- Payer PSP
- Payee PSP
- Remitter Bank
- Beneficiary Bank
- NPCI

- Bank Account holders
- Merchants

UPI - Benefits to the Ecosystem participants
Benefits for banks:

- Single click Two Factor authentication
- Universal Application for transaction
- Leveraging existing infrastructure
- Safer, Secured and Innovative
- Payment basis Single/ Unique Identifier
- Enable seamless merchant transactions

Benefits for end Customers:

- Round the clock availability
- Single Application for accessing different bank accounts
- Use of Virtual ID is more secure, no credential sharing
- Single click authentication
- Raise Complaint from Mobile App directly

Benefits for Merchants:

- Seamless fund collection from customers - single identifiers
- No risk of storing customer's virtual address like in Cards
- Tap customers not having credit/debit cards
- Suitable for e-Com & m-Com transaction
- Resolves the COD collection problem
- Single click 2FA facility to the customer - seamless Pull
- In-App Payments (IAP)

Registration in UPI enabled application
Steps for Registration:

- User downloads the UPI application from the App Store/Banks website

- User creates his/her profile by entering details like name, virtual id (payment address), password etc.
- User goes to "Add/Link/Manage Bank Account" option and links the bank and account number with the virtual id

Generating UPI – PIN:

- User selects the bank account from which he/she wants to initiate the transaction
- User clicks one of the option -

Change M-PIN
In the case of 3(a) -

- User receives OTP from the Issuer bank on his/her registered mobile number
- User now enters last 6 digits of Debit card number and expiry date
- User enters OTP and enters his preferred numeric UPI PIN(UPI PIN that he would like to set) and clicks on Submit
- After clicking submit, customer gets notification (successful or decline)

In the case of 2(b) -

- User enters his old UPI PINand preferred new UPI PIN (UPI PIN that he would like to set) and clicks on Submit
- After clicking submit, customer gets notification (successful or failure)

Performing a UPI Transaction:
PUSH – sending money using virtual address

- User logs in to UPI application
- After successful login, user selects the option of Send Money/Payment
- User enters beneficiary's/Payee virtual id, amount and selects account to be debited
- User gets confirmation screen to review the payment details and clicks on Confirm
- User now enters UPI PIN
- User gets successful or failure message

BHIM (**Bharat Interface for Money**)

- **BHIM** is an Indian mobile payment App developed by the National Payments Corporation of India (NPCI), based on theUnified Payments Interface (UPI). Named after B. R. Ambedkar and

launched on 30 December 2016, it is intended to facilitate e-payments directly through banks and drive towards cashless transactions.

- The application supports all Indian banks which use UPI, which is built over theImmediate Payment Service (IMPS) infrastructure and allows the user to instantly transfer money between bank accounts of any two parties. It can be used on all mobile devices.

  BHIM allow users to send or receive money to or from UPI payment addresses, or to non-UPI based accounts (by scanning aQR code with account number and IFSC code or MMID (Mobile Money Identifier) Code).

  Unlike mobile wallets (PayTM, MobiKwik, mPesa, Airtel Money, etc.) which hold money, the BHIM app is only a mechanism which transfers money between different bank accounts. Transactions on BHIM are nearly instantaneous and can be done 24/7 including weekends and bank holidays.

  BHIM also allows users to check the current balance in their bank accounts and to choose which account to use for conducting transactions, although only one can be active at any time.

  Users can create their own QR code for a fixed amount of money, which is helpful in merchant-seller-buyer transactions. Users can also have more than one payment address.

  If the 12-digit Aadhaar number is listed as a payment ID, the BHIM app will not require any biometric authentication or prior registration with the bank or UPI.

  Version 1.3 allows users to use mobile numbers from their contact book to send money and also save payment addresses for future use without needing to type the address again. User can also check the transaction history, which only shows transactions through BHIM.

  The company rolled out new feature called BHIM Aadhaar Pay allowing users to send or receive digital payments throughAadhaar authentication.

  Transaction fees and limits:

  Currently, there is no charge for transactions from ₹1 to ₹100,000. Some banks might, however, levy a nominal fee for UPI or IMPS transfers.

  The minimum transaction amount is ₹1, and the maximum number of transactions per day is 10. If the 10-transactions-per-day limit has been reached, the user needs to wait for 24 hours from the last transaction before making another transaction.

  Currently, the fund transfer limit has been set to a maximum of ₹20,000 per transaction and a maximum of ₹40,000 in a 24-hour period.

  Indian banks have proposed transaction charges on UPI transactions, but there is no information on whether transactions through BHIM will also be charged.

THE NATIONAL PAYMENTS CORPORATION OF INDIA (NPCI)

NPCI is an umbrella organisation for operating retail payments and settlement systems under the ownership of Reserve Bank of India in India. Organisation: Founded in December 2008, the NPCI is a not-for-profit organisation registered under Section 8 of the Companies Act 2013, established by theReserve Bank of India and Indian Banks' Association. The organisation is

owned by a consortium of major banks, and has been promoted by the country's central bank, the Reserve Bank of India. The NPCI was incorporated in December 2008 and the Certificate of Commencement of Business was issued in April 2009. The authorised capital has been pegged at ₹3 billion(US$42 million) and paid-up capital is ₹1 billion (US$14 million).

Initially, there were ten promoter banks viz. State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank and HSBC. In 2016, the shareholding was diluted to include 13 additional public sector banks, 15 additional private sector banks, 1 additional foreign bank, 10 multi-state co-operative banks and 7 regional rural banks. The Board consists of Biswamohan Mahapatra as the Non Executive Chairman, Nominees from Reserve Bank of India and Nominees from ten core promoter banks. Dilip Asbe is the current managing director and chief executive officer of the NPCI after A. P. Hota, who retired from the post on 10 August 2017.

NPCI International Payments Limited

NPCI has created a separate subsidiary to take its product to global market. The organization is getting offers from nations around Asia, Africa and Middle East to improve their payment infrastructure. Internationalization of RuPay and Unified Payment Interface (UPI) are the primary focus of the NPCI International Payments Limited (NIPL).

Services

The corporation's current and future service portfolio includes:

Aadhaar Enabled Payment System

A network of Micro ATMs using Aadhaar authentication. National Payments Corporation of India (NPCI) announced the transactions of Aadhaar Enabled Payment System (AePS) for the month of July 2019 have crossed the milestone number of 200 million. AePS is a bank-led model which allows basic interoperable banking transactions at PoS (MicroATM) through the Business correspondent of any bank by using Aadhaar authentication.

Bharat Bill Payment System

The Bharat Bill Payment System is a Reserve Bank of India (RBI) conceptualised system driven by the NPCI. It is a one-stop ecosystem for payment of all bills, providing an interoperable and accessible "Anytime Anywhere" bill payment service to all customers across India with certainty, reliability and safety. Bharat Bill Pay has multiple modes of payment and provides instant confirmation of payment via an SMS or receipt. It offers myriad bill collection categories like electricity, telecom, DTH, gas, water bills etc. through a single window. More categories may be added in the future, to include insurance premium, mutual funds, school fees, institution fees, credit cards, local taxes, invoice payments, etc. An effective mechanism for handling consumer complaints has also been put in place. Bharat Bill Pay transactions can be initiated through multiple payment channels like Internet, Internet Banking, Mobile, Mobile-Banking, POS (Point of Sale terminal), Mobile Wallets, MPOS (Mobile Point of Sale terminal), Kiosk, ATM, Bank Branch, Agents and Business Correspondents. Bharat Bill Pay supports multiple payment modes. This includes Cards (Credit, Debit and Prepaid), NEFT Internet Banking, UPI, Wallets, Aadhaar based Payments and Cash.

Unified Payments Interface

Unified Payments Interface is a real-time interbank payment system for sending or receiving money. It is integrated with more than 120 banks in India. Consumers can participate in P2P transfer as long as they both have an account in one of the registered banks. To initiate fund transfer, users have to use any UPI supporting Android or iOS app, link their bank accounts and generate BHIM UPI PIN. Funds can be transferred via the following methods:

- **Virtual Payment Address (VPA):** Send or request money from/to bank account mapped using VPA.
- **Account number & IFSC:** Send money to bank account.
- **QR code:** Send money by scanning QR code with enclosed VPA or Account number & IFSC.
- **Mobile number:** Send or request money from/to the bank account mapped using mobile number.
- **Aadhaar:** Send money to the bank account mapped using Aadhaar number.

Once the fund transfer is initiated, money is debited from payer's bank account and deposited in the recipient's bank account in real-time. This system works 24x7, including weekends and bank holidays.

SAFE BANKING METHODS

8 tips to use internet banking safely:

1. Always use genuine anti-virus software

To protect your computer from phishing, malware, and other security threats always use genuine anti-virus software. Anti-virus helps in detecting and removing spyware that can steal your sensitive information.

2. Avoid Using Public Wi-Fi or Use VPN software

The biggest threat of an open Wi-Fi network is that the hacker can sit in between the end user and the hotspot and can trace all the data without any difficulty. Hackers see unsecured connection as an opportunity to introduce malware into your device. So, usage of public Wi-Fi hotspots for internet or mobile banking and making payments on ecommerce sites should be avoided.

However if you are a regular public Wi-Fi user, consider setting up a VPN software on your computer. It creates a secure tunnel between the computer and the internet and prevents hackers from intercepting the traffic.

3. Check for latest updates of your Smartphone's operating system

Smartphone users should make sure their operating system is updated with the latest security patches and updates. They should also not remove the security controls from the phone often called 'jail breaking' or 'rooting'. They should always look to restrict access that apps ask for when being installed to only what the app really needs.

4. Change your password regularly and ensure it's a strong one

This might sound clichéd but, it is important to keep your account safe and helps you maintain confidentiality. And needless to say, don't share your details with anyone. Your bank will never

ask for your confidential information via phone or email. If you have written your banking passwords in a notepad or a dairy, make sure it remains confidential.
Further, be sure to choose strong and long passwords. For additional security to financial transactions through Internet Banking, create and maintain different passwords for log-in and for transactions.

5. Subscribe for mobile notifications
If you haven't done it already, do it now. These notifications will alert you quickly of any suspicious transaction. Whether the transaction exceeds the specified limit or is within it, you'll get an alert which will tell you the remaining account balance. Not just the transactions, the bank will alert you of the unsuccessful login attempts to your net-banking account.

6. Avoid signing-in to your net-banking account via mailers
It is always safer to type the bank URL yourself than getting redirected to it via a promotional mail or any other third party website. As mentioned earlier a bank will never ask you to for the login credentials to your account. So if there's a fraudulent email which offers to redirect you to your bank's website and you enter your personal details on landing page after clicking it, there's a huge risk of your login credentials being stolen. Hence, if you receive an email from a bank asking for login details, treat it with suspicion.

How can I tell if a web page is secured?
Usually, while browsing internet, the URLs of the website begin with the letters "http". However, over a secure connection the address displayed should begin with "https" - note the "s" at the end.

So, while logging on, check for 'https://' in the URL, which assures that all communications between your browser and the website are encrypted and ensure that it is your bank's authentic website. Further, the lock icon before the 'https://' is an assurance for a secure connection.

7. Do not use public computers to login to net banking
If you are using a public computer, the risk of compromising your login credentials is higher. However if you have to login from such places, make sure you clear the cache and browsing history, and delete all the temporary files from the computer. Also, never allow the browser to remember your ID and password. Or just go incognito.

8. Check your account regularly
Most banks have a 'last logged in' or 'login history' tab on their web sites. So, if you notice irregularities change your password and get in touch with your bank immediately.

Points to note while using mobile banking and ATM cards

1. "For mobile banking, consumers should only use the official app provided by the bank and downloaded only from official app stores of Apple, Google and Windows. They should specially be careful of 'aggregator' apps that claim to provide a consolidate account views across banks - they may contain some virus / malware," advises Kinger.

2. Explaining the modus operandi and ways to avoid card skimming, Kinger said, "In the case of card skimming, fraudsters install a device on the top of the card reader in ATM machines that blends in with the ATM equipment and stores the credit / debit card details. This information is then retrieved by the fraudster by copying it onto another blank card's magnetic stripe and used to make purchases or withdraw cash in the name of the actual account holder. So, while using cards at ATMs and merchant outlets, users should always look for suspicious looking equipment that overlays the card reader to prevent card skimming."

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