

A  
PROJECT REPORT  
ON  
“A STUDY OF ONLINE BANKING  
AND PAYMENT METHODS”

SUBMITTED TO  
THE UNIVERSITY OF PUNE  
IN THE PARTIAL PULFILMENT OF  
BACHELOR OF BUSINESS ADMINISTRATION  
SUBMITTED BY  
MR.TOKSHIYA SHIVAM OMPRAKASH

S.Y. B.B.A.  
UNDER THE GUIDENCE OF  
PROF. YOGESH TAMBE



ACADEMIC YEAR 2021-2022.  
MULA EDUCATION SOCIETY'S  
ARTS, COMMERCE & SICENCE COLLEGE, SONAI-414105

Maha Education Society's

**Arts, Commerce and Science College, Sonai**

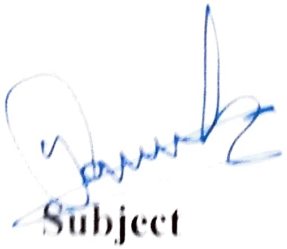
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**CERTIFICATE**

This Is Certified that Mr. Tokshya Chivam Omprakash  
Student of Second Year Bachelor of Business Administration  
(S.Y.B.B.A.) Of Academic Year 2022-2023 (Sem IV) Has Been  
Successfully Completed Their Project.



**Subject  
Teacher**



**Internal  
Examiner**



**External  
Examiner**



**HOD**

*Mula Education Society's*

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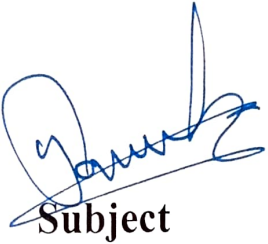
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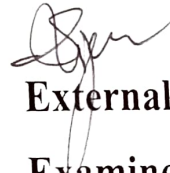
**Subject**

**Teacher**



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**Examiner**



**HOD**

## Declaration

TOKSHIYA SHIVAM OMPRAKASH by declare that this report titled "STUDY OF ONLINE BANKING AND PAYMENT METHODS" is an original work done in partial fulfillment for the degree of Bachelor Business Administration (B.B.A.), Savitribai Phule Pune University.  
I further declare that this work is not partly or wholly submitted for any other purpose and that the data included in the report collected from various sources are true to the best of my knowledge

NAME: TOKSHIYA SHIVAM  
OMPRAKASH

Place : Sonai.

Sign: Shiva  
Date: 11/03/2023

## Acknowledgment

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The project is a great source of learning and a good experience as it made me aware of professional culture and conducts that exist in an organization. Inspiration and guidance are valuable in all aspects of life especially in an academic field.

A project work of such a great significance is not possible without the help of several people, directly or indirectly. First and foremost I have immense happiness in expressing my sincere thanks to my guide Prof. Tambe Sir for his valuable suggestions, cooperation and continuous guidance.

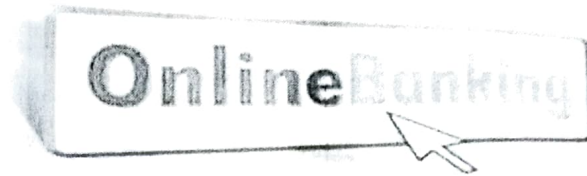
It gives me great pleasure in acknowledging my deep sense of gratitude and Indebtedness for providing me an opportunity and information to undertake this project under their guidance and direction, which ensured its completion.

I would like to thank my family for providing me with their immense support or the completion of the completion of project successfully

Mr. TOKSHIYA SHIVAM OMPRAKASH

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# CHAPTER 1



## INTRODUCTION

### 1.1. BACKGROUND

Electronic banking, or e-banking, is the term that describes all transactions that take place among companies, organizations, and individuals and their banking institutions. First conceptualized in the mid-1970s, some banks offered customers electronic banking in 1985. However, the lack of Internet users, and costs associated with using online banking, stunted growth. The Internet explosion in the late-1990s made people more comfortable with making transactions over the web. Despite the dot-com crash, e-banking grew alongside the Internet.

- ❖ *Online banking (or internet banking or I-banking) allows customers of a financial institution to conduct financial transactions on a secure website operated by the institution, which can be a retail or virtual bank, credit union or building society.*
- ❖ *Online banking is the practice of making bank transactions or paying bills via the Internet. Thanks to technology, and the Internet in particular, people no longer have to leave the house to shop, communicate, or even do their banking. Online banking allows a customer to make deposits, withdrawals, and pay bills all with the click of a mouse.*

### 1.2. HISTORY

While financial institutions took steps to implement e-banking services in the mid-1990s, many consumers were hesitant to conduct monetary transactions over the web. It took widespread adoption of electronic commerce, based on trailblazing companies such as America Online, Amazon.com and eBay, to make the idea of paying for items online widespread. By 2000, 80 percent of U.S. banks offered e-banking. Customer use grew slowly. At Bank of America, for example, it took 10 years to acquire 2 million e-banking customers. However, a significant cultural change took place after the Y2K scare ended. In 2001, Bank of America became the first bank to top 3 million online banking customers, more than 20 percent of its customer base. In comparison, larger national institutions, such as Citigroup claimed 2.2 million online relationships globally, while J.P. Morgan Chase estimated it had more than 750,000 online banking customers. Wells Fargo had 2.5 million online banking customers, including small businesses. Online customers proved more loyal and profitable than regular customers. In October 2001, Bank of America customers executed a record 3.1 million electronic bill payments, totalling more than \$1 billion. In 2009, a report by Gartner Group estimated that 47 percent of U.S. adults and 30 percent in the United Kingdom bank online.

### 1.3. OBJECTIVES OF THE STUDY

The main objectives of the study are\_

- ❖ To understand the **genesis and concept of Online Banking**
- ❖ To analyse the importance, functions, **advantages** and limitations of Online Banking
- ❖ To explain the different form of Online-Banking and to analyse the rules & regulation regarding Online-Banking guided by RBI
- ❖ To highlighting on the security problems of Online Banking and how to reduce the security issues with the help of security control tools
- ❖ To analyse the trend of Online-Banking with the help of primary data
- ❖ To analyse the present e-banking scenario concerned with ATM, Internet banking, Mobile banking, credit card-debit card, fund transfer and other e-banking services
- ❖ To examine the impact of ATM, Internet banking, Mobile banking and Credit cards on customer satisfaction by analysing the problems faced by the customers

### 1.4. REVIEW OF LITERATURE

- **An Introduction to E-Commerce**: - written by Ramit Kumar Roy & Debasri Dey and published by the Elegant Publications.
- **E-Commerce**: - written by Prof.(Dr.) Dilip Kumar Chakraborty & Prof. Debdulal Chatterjee and published by B.B Kundu Grandsons.
- **Introduction to Information Technology & its Business Application**: - written by A.K Mukhopadhyay & A. Das and published by Kalimata Postakalaya

### 1.4. DATABASE AND METHODOLOGY

#### ➤ Data Collection:

**Primary Source:** The study is based on both of primary and secondary data. For the purpose of case study primary data have been collected from the people of UTTARPARA through phone calls, social network and direct interview from them.

**Secondary Source:** The secondary data have been collected from different articles & website resources such as [www.wikipedia.com](http://www.wikipedia.com), [www.google.com](http://www.google.com) and so many others. We have used simple pictures, tables & graphs to analysis & present the data. Apart from this I also followed my supervisor's instructions to finish the project.



- **Sampling Methodology:** The Primary data have been collected through a survey with a pre-tasted structured QUESTIONNAIRE on a sample of randomly selected 114 people of UTTARPARA in which some are college students, business persons, service holders, working women and some people who belong to 20-60 age group. From 114 respondents 100 respondents use online banking and the data collected from those people are used to analysis the trend of Net-Banking.

## 1.5. LIMITATION OF THE STUDY

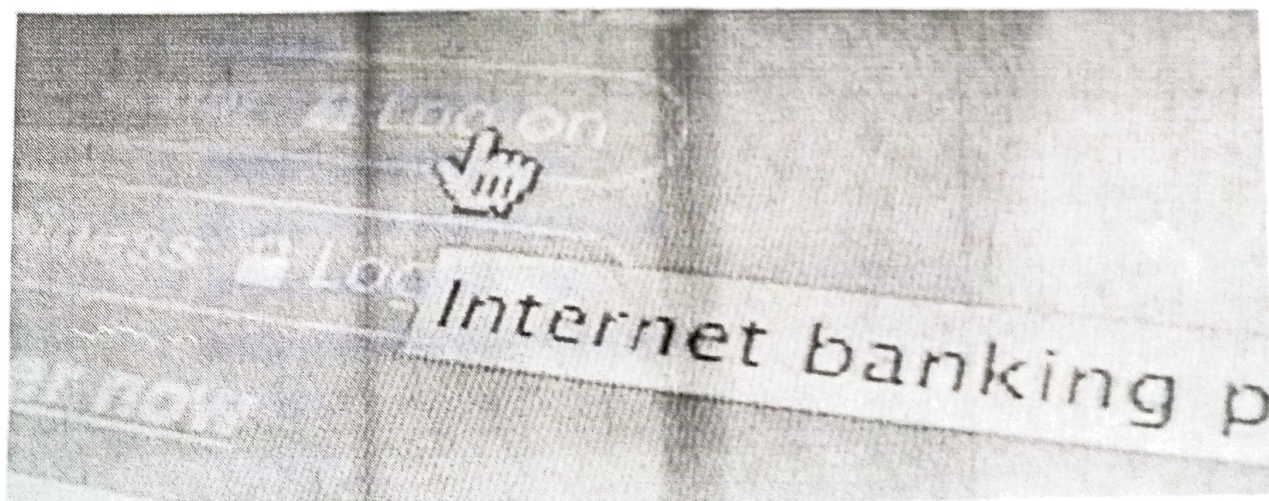
The major limitations of the study are:

- A small sample size of 114 respondents are taken to primary data analysis. So I cannot draw proper inferences about the respondents from this sample size.
- I have not used modern statistical tools to analysis the data.
- Due to shortage of time I have not been able to make a depth study.
- I could not collect data from out site of UTTARPARA.
- This study is based on the prevailing respondents' satisfaction. But their satisfaction may change according to time, fashion, need etc.

## 1.6. CHAPTER PLANNING

The study is divided into six chapters with reference:

- Introduction
- Online Banking- An Overview
- Different Types of Online Banking
- Online Banking in India-Guidelines of RBI
- Growth of online banking in India
- Findings, Conclusions & Recommendations
- References
- Bibliography.



# ONLINE BANKING- AN OVERVIEW



## 2.1. DEFINITION

- Online banking is an electronic payment system that enables customers of a financial institution to conduct financial transactions on a website operated by the institution, such as a retail bank, virtual bank, credit union or building society. Online banking is also referred as **internet banking, e-banking, virtual banking** and by other terms.
- Online banking or E-banking is an umbrella term for the process by which a customer may perform banking transactions electronically **without** visiting a brick-and-mortar institution.
- Online banking is the practice of making bank transactions or paying bills via the Internet. Thanks to technology, and the Internet in **particular**, people no longer have to leave the house to shop, communicate, or even do their **banking**.

## 2.1. HOW ONLINE BANKING EVOLVED INTO A MAINSTREAM FINANCIAL TOOL

In today's highly technical world, it's hard to imagine there was once a time when all banking was conducted at an actual brick-and-mortar financial institution. Even simple account transfers required a trip into the bank.

While today's online banking is filled with amazing innovations, it hasn't always been this easy – in fact it took a long time to get this far.

## - HISTORICAL DEVELOPMENT

- The precursor for the modern home online banking services were the distance banking services over electronic media from the early 1980s. The term "Online" became popular in the late '80s and referred to the use of a terminal, keyboard and TV (or monitor) to access the banking system using a phone line. Some banks used a touch-tone keypad to access a number keypad to send tones down a phone line with instructions to the bank. Online services started in New York in 1981 when four of the city's major banks (Citibank, Chase Manhattan, Chemical and Manufacturers Hanover) offered home banking services using the videotex system. Because of the commercial failure of videotex these banking services never became popular except in France where the use of videotex (Minitel) was subsidised by the telecom provider and the UK where the Prestel system was used.
- While financial institutions took steps to implement on-line banking services in the mid-1990s many consumers were hesitant to conduct monetary transactions over the web. It took widespread adoption of electronic commerce, based on trailblazing companies such as America Online, Amazon.com and eBay, to make the idea of paying for items online widespread. By 2000, 80 percent of U.S. banks offered e-banking. Customer use grew slowly. At Bank of America, for example, it took 10 years to acquire 2 million e-banking customers. However, a significant cultural change took place after the Y2K scare ended. In 2001, Bank of America became the first bank to top 3 million online banking customers, more than 20 percent of its customer base. In comparison, larger national institutions, such as Citigroup claimed 2.2 million online relationships globally, while J.P. Morgan Chase estimated it had more than 750,000 online banking customers. Wells Fargo had 2.5 million online banking customers, including small businesses. Online customers proved more loyal and profitable than regular customers. In October 2001, Bank of America customers executed a record 3.1 million electronic bill payments, totalling more than \$1 billion. In 2009, a report by Gartner Group estimated that 47 percent of U.S. adults and 30 percent in the United Kingdom are using bank online.
- Today, many banks are internet only banks. Unlike their predecessors, these internet only banks do not maintain brick and mortar bank branches. Instead, they typically differentiate themselves by offering better interest rates and more extensive online banking features.

### ❖ First Online Banking Services in the United States:

According to "Banking and Finance on the Internet," edited by Mary J. Cronin, online banking was first introduced in the early 1980s in New York. Four major banks—Citibank, Chase Manhattan, Chemical and Manufacturers Hanover—offered home banking services. Chemical introduced its Pronto services for individuals and small businesses in 1983. It allowed individual and small business clients to maintain electronic chequebook registers, see account balances, and transfer funds between checking and savings accounts. Pronto failed to attract enough customers to break even and was abandoned in 1989. Other banks had a similar experience.



### ❖ *First Online Banking Services in the U.K.:*

Almost simultaneously with the United States, online banking arrived in the United Kingdom. The UK's first home online banking services known as Home link was set up by Bank of Scotland for customers of the Nottingham Building Society (NBS) in 1983. The system used was based on the UK's Prestel view link system and used a computer, such as the BBC Micro, or keyboard (Tandata Td1400) connected to the telephone system and television set. The system allowed on-line viewing of statements, bank transfers and bill payments. In order to make bank transfers and bill payments, a written instruction giving details of the intended recipient had to be sent to the NBS who set the details up on the Home link system.

Stanford Federal Credit Union was the first financial institution to offer online internet banking services to all of its members in October 1994.

### ↓ Banks and the World Wide Web:

In the 1990s, banks realized that the rising popularity of the World Wide Web gave them an added opportunity to advertise their services. Initially, they used the Web as another brochure, without interaction with the customer. Early sites featured pictures of the bank's officers or buildings, and provided customers with maps of branches and ATM locations, phone numbers to call for further information and simple listings of products.

At the beginning of 2004, some 33 million U.S. households (31% of the market) were using one form or another of online banking. Five years later, 47% of Americans were banking online, according to a survey by Gartner Group. Meanwhile, in the UK e-banking grew its reach from 63% to 70% of Internet users between 2011 and 2012.

### ↓ First Online Banking in India:

ICICI bank is the first one to have introduced Online-Banking in 1994 for a limited range of services such as access to account information, correspondence and, recently, funds transfer between its branches. ICICI is also getting into e-trading, thus offering a broader range of integrated services to the customer.

## 2.2. FEATURES OF ONLINE BANKING:

Online banking facilities offered by various financial institutions have many features and capabilities in common, but also have some that are application specific.

❖ *The common features fall broadly into several categories:*

(A) A bank customer can perform non-transactional tasks through online banking, including

- I. Viewing account balances
- II. Viewing recent transactions
- III. Downloading bank statements, for example in PDF format
- IV. Viewing images of paid cheques.
- V. Ordering cheque books.
- VI. Download periodic account statements.
- VII. Downloading applications for M-banking, E-banking etc

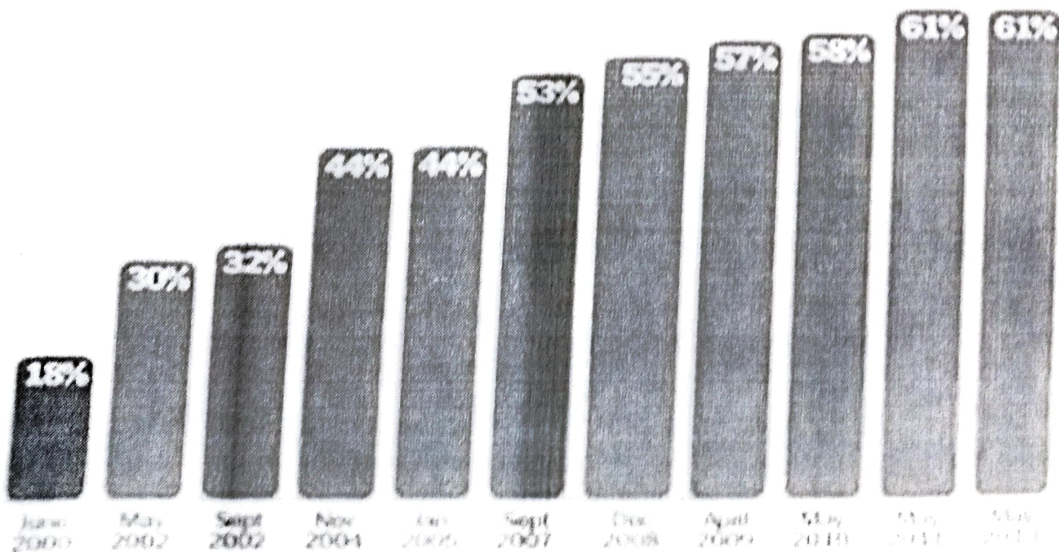
(B) Bank customers can transact banking tasks through online banking, including -

- I. Funds transfers between the customer's linked accounts
- II. Paying third parties, including bill payments (see, e.g., BPAY) and third party fund transfers (see, e.g., FAST).
- III. Investment purchase or sale.
- IV. Loan applications and transactions, such as repayments of enrolments.
- V. Credit card applications.
- VI. Register utility billers and make bill payments.
- VII. Financial institution administration.
- VIII. Management of multiple users having varying levels of authority.
- IX. Transaction approval process.

Some financial institutions offer special internet banking services, for example:

Personal financial management support, such as importing data into personal Accounting Software  
Some online banking platforms support account Aggregation to allow the customers to monitor all their accounts in one place whether they are with their main bank or with other institutions.

**% of internet users who have used online banking**



## 2.1 ADVANTAGES OF ONLINE BANKING:



Many banks have begun to offer customers the option of online-internet banking, a practice that has advantages for both all parties involved. The convenience of being able to access accounts at any time as well as the ability to perform transactions without visiting a local branch, draw many people to be involved. Some of these advantages of internet banking but are not limited to, include:

### ↓ Customer's convenience

Direct banks are open for business anywhere there is an internet connection. They are also 24 hour a day, 365 days a year open while if internet service is not available, customer services is normally provided around the clock via telephone. Real time account balances and information are available at the touch of a few buttons thus, making banking faster, easier and more efficient. In addition, updating and maintaining a direct account is easy since it takes only a few minutes to change the mailing address, order additional checks and be informed for market interest rates.

### ↓ More efficient rates

The lack of significant infrastructure and overhead costs allow direct banks to pay higher interest rates on savings and charge lower mortgage and loan rates. Some offer high yield checking accounts, high yield certificate of deposits (CDs), and even no penalty CDs for early withdrawal. In addition, some accounts can be opened with no minimum deposits and carry no minimum balance or service fees.

### ↓ Services

Direct banks typically have more robust websites that offer a comprehensive set of features that may not be found on the websites of traditional banks. These include functional budgeting and forecasting tools, financial planning capabilities, investment analysis tools, loan calculators and equity trading platforms. In addition, they offer free online bill payments, online tax forms and tax preparation.

### ↓ Mobility

Internet banking also includes mobile capabilities. New applications are continually being created to expand and increase the capability of smart phones and other mobile devices.

### ↓ Transfers

Accounts can be automatically funded from a traditional bank account via electronic transfer. Most direct banks offer wire transfers at no cost, including those that fund for qualified business and institutions. They will also accept direct deposits and withdrawals that the customer will receive such as payroll deposits and a direct bill payment.

### ⬇ Ease of use

Online accounts are easy to **set up** and require no **more** information than a traditional bank account. Many offer the **option** of inputting the **customer's** data online or **downloading** the forms and mailing them in. If the **customer** runs into a **problem**, he has the option of calling or e-mailing the bank directly.

### ⬇ Environment friendly

Internet banking is also environmentally friendly. **Electronic** transmissions require **no paper**, reduce vehicle traffic and are virtually pollution-free. They **also** eliminate the need for buildings and office equipment.

## 2.4. THE DISADVANTAGES OF INTERNET BANKING:

Internet banking seems like an obvious choice to **leave** the hassles of traditional money management behind in exchange for it. However, there are **potential problems** associated with banking over the internet of which customers may not be aware. Consumers need to **weigh** the advantages as well as the disadvantages of internet banking before **signing up**. Some of the disadvantages of internet banking include:



### ⬇ Bank relationship

A traditional bank provides the opportunity to develop a personal relationship with that bank. Getting to know the people at your local branch can **be** an advantage when a customer needs a loan or a special service that is **not** normally offered to the public. A bank manager usually has some discretion in changing the **terms** of customer's account if the customer's personal circumstances **change**. They can help **customers** solve problems such as reversing an undeserved fee. The banker also **will** get to know the **customer** and his unique **needs**. If the customer has a business account, this **personal relationship** may help if the customer **needs** capital to expand. It's easier to get the bank's support if there is **someone** who understands customer's business and vouch for his operating plan.

### ⬇ Transaction issues

Sometimes a face-to-face **meeting** is required to **complete** complex transactions and address complicated problems. A traditional bank can host **meetings** and call in experts to solve a specific issue. **Moreover**, international transactions may be **more** difficult (or impossible) with some direct banks. If a customer **deposits** cash on a regular basis, a traditional bank with a drive-through window may be more practical and efficient.



### ↓ Service issues

Some direct banks may not offer all the comprehensive financial services such as insurance and brokerage accounts that traditional banks offer. Traditional banks sometimes offer special services to loyal customers such as preferred rates and investment advice at no extra charge. In addition, routine services such as notarization and bank signature guaranteed are not available online. These services are required for many financial and legal transactions.

### ↓ Security

Direct banks are subject to the same laws and regulations as traditional banks and accounts are protected by the FDIC. Sophisticated encryption software is designed to protect your account information but no system is perfect. Accounts may be subject to phishing, hacker attacks, malware and other unauthorised activity. Most banks now make scanned copies of cleared checks available online which helps to avoid and identify check fraud. It enables verification that all checks are signed by the customer and that dollar or euro amounts have not been changed. The timely discovery of discrepancies can be reported and investigated immediately.

### ↓ Connectivity

Another issue is that sometimes it becomes difficult to note whether your transaction was successful or not. It may be due to the loss of net connectivity in between, or due to a slow connection, or the bank's server is down.





## CHAPTER-3

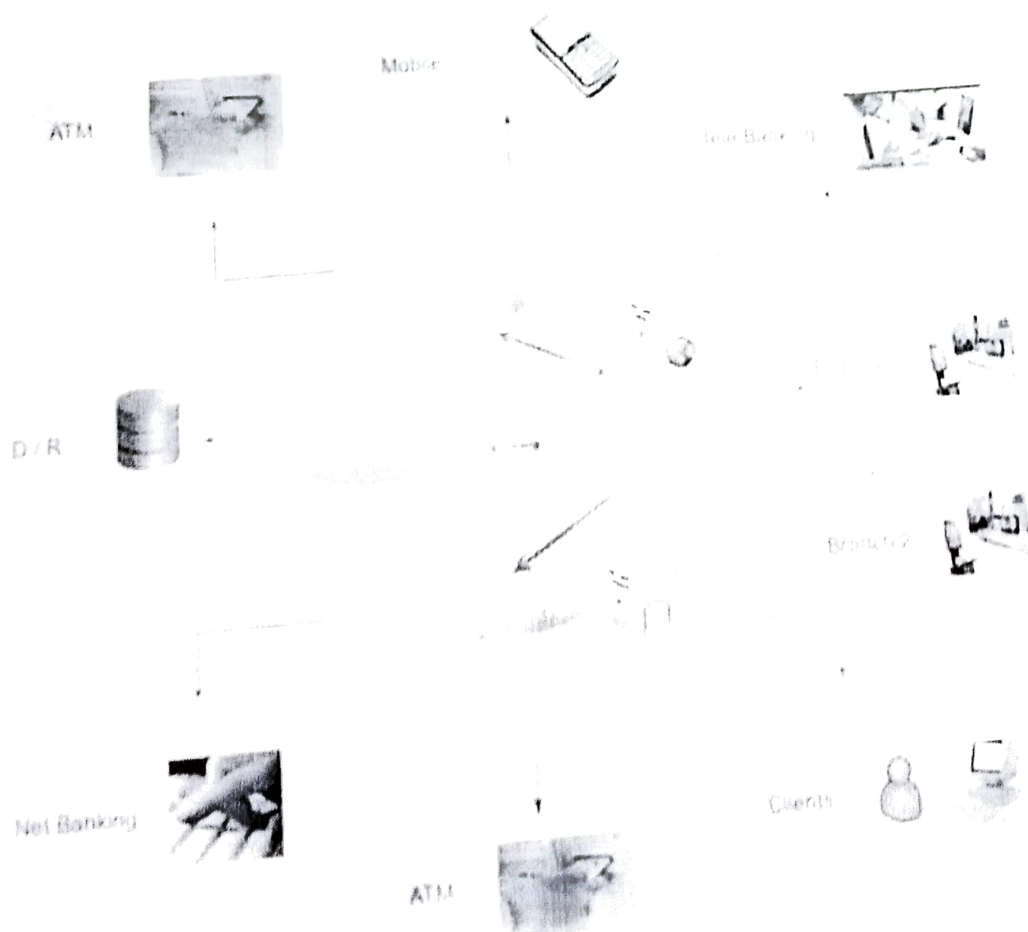
### DIFFERENT TYPES OF ONLINE BANKING

#### 3.1. CORE BANKING SOLUTION or CBS:

Core Banking is a banking service provided by a group of networked bank branches where customers may access their bank account and perform basic transactions from any of the member branch offices. Core banking is often associated with retail banking and many banks treat the retail customers as their core banking customers. Businesses are usually managed via the Corporate banking division of the institution. Core banking covers basic depositing and lending of money.

Normal Core Banking functions will include transaction accounts, loans, mortgages and payments. Banks make these services available across multiple channels like ATMs, internet banking, mobile banking and branches.

The core banking services rely heavily on computer and network technology to allow a bank to centralise its record keeping and allow access from any location. It has been the development of banking software that has allowed core banking solutions to be developed.



## *HISTORY*

Core banking became possible with the advent of computer and telecommunication technology that allowed information to be shared between bank branches quickly and efficiently.

Before the 1970s it used to take at least a day for a transaction to reflect in the account because each branch had their local servers, and the data from the server in each branch was sent in a batch to the servers in the data centre only at the end of the day (EoD).

Over the following 30 years most banks moved to core banking applications to support their operations where CORE Banking may stand for "centralized online real-time exchange". This basically meant that all the bank's branches could access applications from centralized data centres. This meant that the deposits made were reflected immediately on the bank's servers and the customer could withdraw the deposited money from any of the bank's branches.

## *ADVANTAGES:*

### 1. Centralized Accounting:

i) All the transactions of the bank directly impact the General Ledger and Profit and Loss Account. This provides a real time total picture about the financial position and situation of the bank.

ii) This helps for timely effective decision making for financial management, a very critical and dynamic function in today's banking.

### 2. Centralized Product Control & Monitoring:

i) Centralization helps in better product analysis, monitoring and rollout.

ii) Aspects like interest rate modifications, product modification and interest application can be done centrally from one place for all the branches.

iii) Bank can quickly respond to market scenario and customer needs. This gives competitive edge to the bank.

### 3. Introduction of Technology Based Services:

i) Service channels such as ATM, either on-site or offsite, can be started.

ii) Cheque Deposit Machines (CDM) can be installed. Such machine in WAN connectivity can allow any customer to deposit the cheque for collection at any branch.

iii) Cheque book printing machine can be installed at central location to give personalized cheque books. Such machine in WAN connectivity can receive command from any branch.

### 4. Centralized Customer Account Management:

i) Any customer becomes the customer of the bank rather than of a branch.

ii) With unique ID / Account Number the accounts of the customers can be viewed centrally by the bank. As such, customer profile, details of products and services availed by him and customer behaviour about business of the bank can be well understood.

iii) Such customer view gives the bank opportunity to decide directions for business development and marketing strategies

5. Advantages to Head Office:

- i) Consolidation of MIS / statements / reporting at one place reducing duplication of tasks at branches and it is of real time.
- ii) Supervision of branches on risk perceptions possible as ongoing process.
- iii) Frequent audits and timely control measures can be initiated.
- iv) Faster and practically real time reconciliation of accounts.
- v) Centralized marking and movement monitoring of NPA accounts.
- vi) Better ALM, especially for short term assets and liabilities possible.
- vii) Audit on operational aspects of the accounts can be done at a single location as entire data is available at one place.
- viii) By installing mailing solution on the intra net of the bank, written communication in the form of letters, between H. O. and branches and vice versa, can be eliminated.

6. Advantages to Branch:

- i) With reduced work at the branches they can focus on development of business, customer service and attendance and meaningful liaison with customer for getting new business.
- ii) Since customer needs are known with proper analysis they can be well attended even before their demands that boosts the image of bank.

#### ↓ *State Bank of India, World's Largest Centralized Core Processing Implementation:*

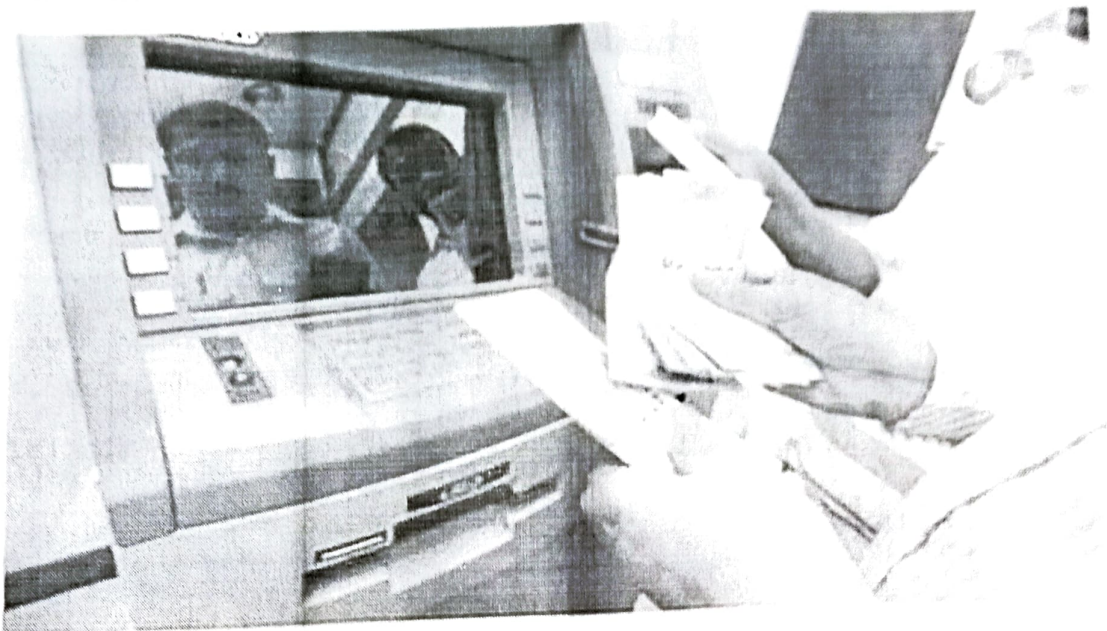


The story began in 2000. With its growth curve heading northward, State Bank of India (SBI), the country's largest bank with the largest branch network, realized the need for a core banking solution. An expression of interest was invited in July 2000, and the actual implementation was started in August 2003 when the first branch of the bank was put on TCS' BuNCS core banking solution.

The planning stage lasted three years, while the BoNC5 implementation took another five years (till July 2008) to complete. The entire project of implementing the core banking solution was handled by TCS as the systems integrator, while other major technology partners in the project were HP, Data craft, Cisco and Microsoft. The core banking solution implemented at SBI and its associate banks currently execute an average of 42 million transactions per day with a peak of 1,900 transactions per second through a massive network of about 17,700 branches, and report *BoNC5* servicing nearly 243 million customers. The CB5 at SBI executes an average of 42 million transactions per day with a peak of 1,900 transactions per second through a network of about 17,700 branches.

Further, SBI had more than 2 lac employees, and many of them had little familiarity with Web based technology before the core banking solution's implementation. SBI and TCS had to ensure that the bank employees were well acquainted with the use of the solution. Indeed, at one point of time, SBI had 58 training centres.

### 3.2. ATM BANKING:



Full-service banking, 24 hours a day.

- Make banking more convenient with ATMs and debit card
- **Convenient Self Service**
  - Deposits – Cash and check deposits can be made at most BBVA Compass ATMs.
  - Withdraw Funds – The cash you need when you need it.\*
  - Transfer funds – Move funds between checking accounts and savings accounts that are linked to your debit card.
- **Account Management**
  - Check Balance – View your account balance before you make a withdrawal
  - Mini Statement – Receive a print out of your transaction history and account balances.\*
- **Customizable**
  - Fast Cash – Set standard ATM withdrawal amounts.
  - Receipt Options – Set whether or not you will receive a receipt when you make transactions.
  - Preferred Language – Choose between English or Spanish.



# CREDIT vs. DEBIT



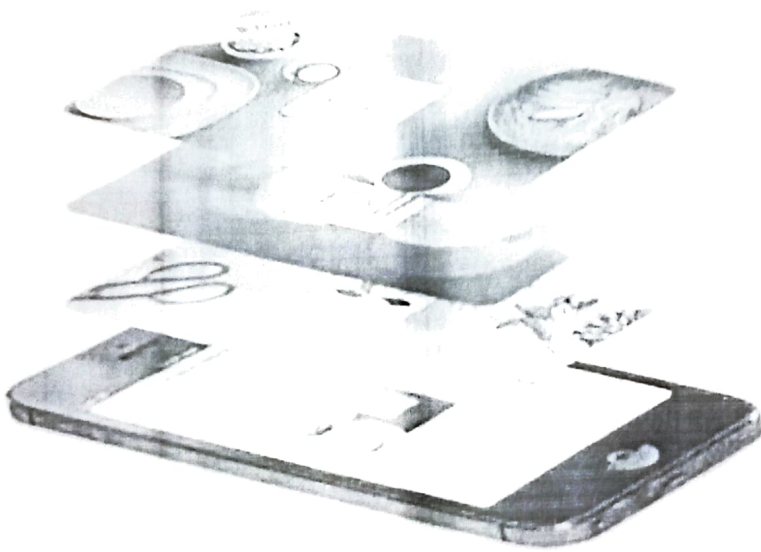
## Debit Cards vs. Credit Cards

	Debit Cards	Credit Cards
Payments	<p>Now, pay now.</p>	<p>Buy now, pay later.</p>
Interest Charges	<p>No charges apply as funds are automatically debited from your checking account.</p>	<p>Charges will apply if you don't pay on time or if you go over your credit limit. More debt may take to reduce your credit score and incur charges.</p>
Fees	<ul style="list-style-type: none"> <li>• <b>Fees:</b> are generally lower than credit cards (e.g., ATM fees, late fees, foreign transaction fees, etc.). ATM fees operated by the financial institution that issued your card.</li> <li>• Parents: could tempt kids to try to spend more money than they have available in their account.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Fees and penalties:</b> are generally higher than debit cards.</li> <li>• Some cards also have annual fees.</li> <li>• Not all cards offer grace periods. Some may incur interest on new charges.</li> </ul>
Other Potential Benefits	<ul style="list-style-type: none"> <li>• <b>Easier and faster</b> than writing a check.</li> <li>• <b>No risk of losing cash</b> that you cannot replace.</li> <li>• Some cards may offer <b>freebies or rebates</b>.</li> <li>• As long as you do not overdraw your account, debit cards are a good way to pay for purchases without carrying money and paying interest.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Freebies:</b> (e.g., travel, hotels, gas, etc.) are often offered.</li> <li>• You can withhold payment on charges in dispute.</li> <li>• <b>Purchase protections:</b> (e.g., travel, some cards) help protect you.</li> <li>• If you are careful about how you manage your credit and expenses, building your credit score may go up and you may qualify for lower interest rates.</li> </ul>
Other Potential Concerns	<ul style="list-style-type: none"> <li>• If only there are no <b>protections</b> against identity theft and theft.</li> <li>• You need another way to cover unexpected emergencies (e.g., car repair) if you do not have enough money in your bank account.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Over-spending:</b> can occur since the credit limit may be higher than you can afford.</li> <li>• You can't pay your card balance in full each month. If you don't pay in full or forget to pay, you will pay interest on your balance. Interest will be applied to the next time you use your credit card.</li> </ul>

### 3.3. DIGITAL WALLET

Nowadays, we find ourselves carrying cold hard cash less and less because you can just as easily make your purchase with payment cards, and track your spending online. Plus, it's **more secure** than carrying \$350 to buy the latest iPad (MINI).

Certain payment or loyalty cards also let you **earn rewards** or **entries to contests**, but they do add up. They make your wallet unnecessarily thick and heavy. Perhaps it is time to swap the system again, this time, for something that you have always been carrying around: your smartphone.



Digital wallets can help take you there. They are smartphone apps that hold your payment and loyalty card information. **Google Wallet** and **Apple's Passbook** are two of the more popular ones we often hear about, but if they are not your fancy, **there are plenty of other digital wallets that carry perks and benefits that you may prefer.**

#### 1. Google Wallet

Instead of tapping your credit card on the NFC machine at the checkout counter, all you have to do is **wave your smartphone or tap it on the machine to make your payments.** It'll be able to identify the credit card information linked on your Google account.

For this to work, Google Wallet requires **Near Field Communication (NFC) technology** available which unfortunately is only available on certain smartphones and tablets.



You link your debit or credit card to your Google account and you can leave your wallet at home – but at the moment, it only works with phones and credit cards from the US and only in the US. Currently, it supports 20+ merchants on the ground and online, promising more merchants to come.

## 2. Apple's Passbook

Apple's Passbook was introduced in iOS 6 and relies on scanning 2D barcodes to help you manage your movie, concert and airline tickets as well as loyalty cards and coupons for selected merchants.

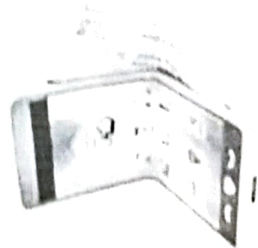
The result: you get location and time-based notifications when you're near a cafe where you can use your loyalty card or when your airline, movie or concert ticket is nearing its due date.

You add passes through apps that support Passbook (link opens iTunes). So instead of bringing your grocery coupons and stack of loyalty cards wherever you go, you can store it in Passbook. Unlike Google Wallet, you cannot use your debit or credit card for purchases in-store, however you can use Bill Guard to view your bank balance and other related information on your iPhone.



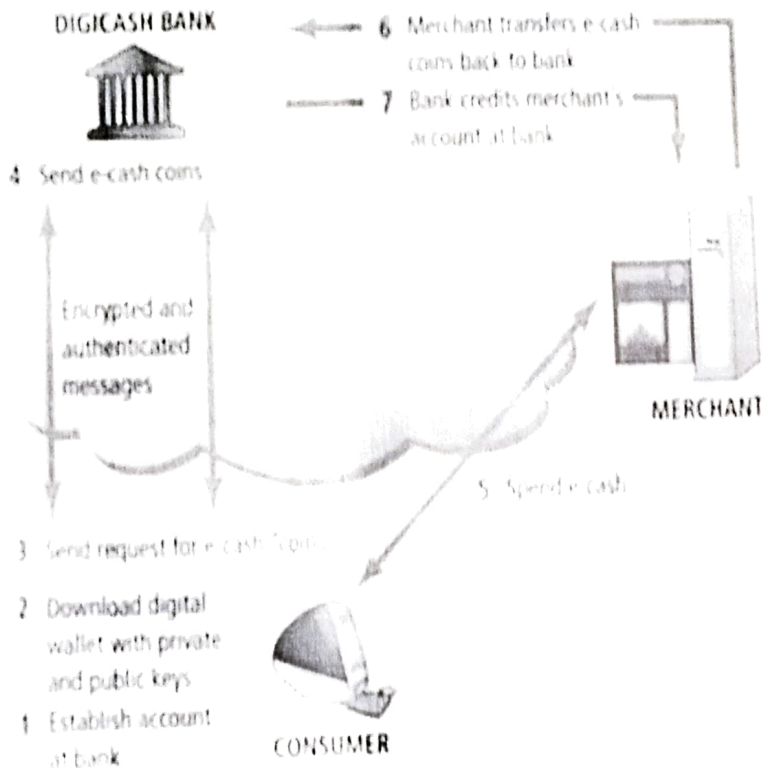
### 3.4. DIGITAL CASH:

Digital Cash acts much like real cash, except that it's not on paper. Money in your bank account is converted to a digital code. This digital code may then be stored on a microchip, a pocket card (like a smart card), or on the hard drive of your computer.



The concept of privacy is the driving force behind digital cash. The user of digital cash is assured an anonymous transaction by any vendor who accepts it. Your special bank account code can be used over the internet or at any participating merchant to purchase an item. Everybody involved in the transaction, from the bank to the user to the vendor, agree to recognize the worth of the transaction, and thus create this new form of exchange.

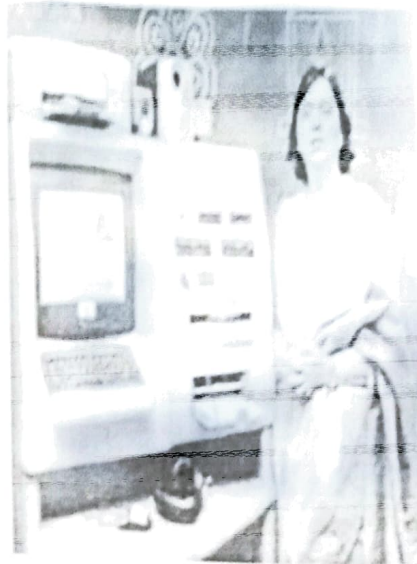
## Digicash: How First Generation Digital Cash Worked





**3.5. KIOSK BANKING:** This is the latest development on the remote banking front, also known

as 'Touch-screen' banking. A kiosk is a self-service banking terminal that can be operated with both credit & debit cards. The Debit/credit card can be swiped at against the card reader at the kiosk and account accessed post entering the ATM PIN. Currently, very few banks like Citibank offer this facility to their customers at select ATM centres across the country.



Unlike an ATM, which is primarily used for cash transactions like withdrawals, deposits, etc., a kiosk is primarily used for non-cash transactions like cheque book request, printing bank account statements, funds transfer etc. The number of transactions a particular location is expected to be able to support is key here along with the types of transactions required. An ATM and a Kiosk can both easily perform the same non-cash and non-deposit transactions however the real differentiators come down to how much time/ input the transaction takes (Financial Kiosks have full keyboards and document printers, ATMs generally don't) and queuing considerations (at an ATM most people just want to get their cash and go).

### **3.6. NEFT:**

**National Electronic Funds Transfer (NEFT)** NEFT is electronic funds transfer system, which facilitates transfer of funds to other bank accounts in over 63000 bank branches across the country. This is a simple, secure, safe, fastest and cost effective way to transfer funds especially for Retail remittances.

#### **FEATURES & BENEFITS**

Customers can remit any amount using NEFT. Customer intending to remit money through NEFT has to furnish the following particulars.

- IFSC (Indian Financial System Code) of the beneficiary Bank/Branch
- Full account number of the beneficiary
- Name of the beneficiary

The facility is also available through online mode for all internet banking and mobile banking customers.

For corporate customers, bulk upload facility is also available at branches.