

**CREDIT -III** Electronic Payment System: EPS Models, EPS Processing, Digital token based(02), debit card, smart card, Credit Card, risk in electronic payment system(03), E-auction: Introduction, Overview, Electronic trading(02), Online Banking: origin, advantages, disadvantages, Services (03). Lectures: 10

**CREDIT -IV** Web Security factors, E-Commerce security threats, security schemes, Protocols, Digital Certificates(03), Cyber law in India, Supply Chain Management (SCM): Components and issues(03), Customer Relationship Management (CRM): definition, Components, Benefits, ECRM: concept, impact, ECRM v/s CRM(04) Lectures: 10

**An e-auction** is a transaction between sellers (the auctioneers) and bidders (suppliers in business to business scenarios) that takes place on an electronic marketplace. It can occur business to business, business to consumer, or consumer to consumer, and allows suppliers to bid online against each other for contracts against a published specification.

### **How traditional auctions are managed**

In a traditional auction, or live auction, potential buyers get the chance to examine items up close and ask questions before purchasing. Bidders get an idea about what type of items will go up for auction and can estimate how much items may go for. Traditional auctions allow buyers to discuss items with the seller and get details about them before the auction begins. Traditional auctions also allow buyers to make educated purchasing decisions in person.

Traditional auctions are exciting and fun. The auctioneer calling out bids and people competing to see who will win each item can be entertaining. It's easy to get caught up in the excitement of a traditional auction. It's also a social event where buyers and sellers get to know each other, which can help people with common interests network.

In a live auction, you get the satisfaction of bidding, buying, and walking away with your item in hand as soon as possible. After the rush of winning the item, it's satisfying to pay for your purchase and have it in hand within minutes of placing the winning bid.

### **Advantages and disadvantages of traditional auctions**

Traditional auctions still have the charm and nostalgia lacking in an online setting but there are some downsides to going the old-fashioned route. The main negative of a traditional auction is the lack of convenience.

Having the auction in a physical location limits bidders and sellers to a single location or forces them to travel with large pieces of industrial equipment either to or from the auction location. These travel needs add extra costs to attending the auction as well as more heavy lifting than necessary. For buyers, this could mean making the trip to a traditional auction and risking not even acquiring the desired piece. For sellers, it limits the market of buyers and requires moving the large equipment for sale with no guarantee that the desired buyer will be at the auction.

The plus side of traditional auctions is the human factor. Buyers get to work with auctioneers in person and sellers get to see the equipment with their own eyes and often talk to buyers before a

purchase. Sales are also much faster and often are completed on the day of the auction. This is a big draw for those wishing to quickly complete a sale.

## **Types of e-auction**

- **Classic reverse auction** – Multiple sellers compete to obtain the buyer's business. The buyer can see all the offers and may choose which they would prefer. Predominantly used for procurement.
- **English auction** –English auctions are where bids are announced by either an auctioneer or the bidders, and winners pay what they bid to receive the object. The most common and straightforward form of e-auction, they're intuitive, user-friendly and can help to reduce transaction costs.
- **Dutch auction** – Dutch auctions start at a high price, which is then incrementally lowered until a buyer accepts the price. The first person to bid wins the auction, which makes them good for quick decisions.
- **Japanese auction** – Here the buyer sets a high price which decrements at pre-set amounts at pre-set intervals e.g. £500 every 2 hours. If a supplier is happy to provide the goods and services at that price, the transaction then goes ahead.

## **BENEFITS, LIMITATIONS, AND STRATEGIC USES OF AUCTIONS**

Electronic auctions are becoming important selling and buying channels for many companies and individuals. Electronic auctions enable buyers to access goods and services anywhere auctions are conducted. Moreover, almost perfect market information is available to both buyers and sellers about prices, products, current supply and demand, and so on. These features provide benefits to all.

**BENEFITS OF E-AUCTIONS TO SELLERS** Electronic auctions provide the following benefits to sellers:

- Increased revenues by broadening the customer base and shortening cycle time. With e-auctions, sellers can reach the most interested buyers in the most efficient way and sell at a price equal to buyer valuation of the product. This eliminates the need to predict demand and the risk of pricing items too high or too low.
- Optimal price setting. Sellers can make use of the information collected about price sensitivity to set prices in other fixed-price markets.
- Disintermediation. Sellers can gain more customer dollars by offering items directly, rather than going through an expensive intermediary or by using an expensive physical auction.
- Better customer relationships. Buyers and sellers have more chances and time to interact with each other, thus creating a sense of community and loyalty. Additionally, by making use of the information gathered on customer interests, sellers can improve the overall e-commerce experiences of buyers and deliver more personalized content to buyers, thus enhancing customer relationships.
- Liquidation. Sellers can liquidate large quantities of obsolete items very quickly.

**BENEFITS OF E-AUCTIONS TO BUYERS** Electronic auctions provide the following benefits to buyers:

- Opportunities to find unique items and collectibles.

- Chance to bargain. Instead of buying at a fixed price, buyers can use the bidding mechanism to bargain with sellers for the price they are willing to pay.
- Entertainment. Participating in e-auctions can be entertaining and exciting. The interaction between buyers and sellers may create goodwill and positive feelings. Buyers can interact with sellers as much or as little as they like.
- Anonymity. With the help of a third party to the e-auction, buyers can remain anonymous.
- Convenience. Buyers can trade from anywhere, even with a cell phone (mobile commerce).

**LIMITATIONS OF E-AUCTIONS** E-auctions have several limitations, including the following:

- Possibility of fraud. Auction items are in many cases unique, used, or antique. Because buyers cannot see the item, they may get a defective product. Buyers can also commit fraud. Thus, the fraud rate in e-auctions is very high. (For specific fraud techniques and how to prevent them, see the discussion later in the appendix.)
- Limited participation. Some auctions are by invitation only, whereas others are open to dealers only.
- Security. Some of the C2C auctions conducted on the Internet are not secure, and some possible participants are scared away by the lack of security. On the other hand, some B2B auctions are conducted on highly secure private lines.
- Software. Unfortunately, only a few “complete” or “off-the-shelf” software solutions that can support the dynamic commerce functionality required for optimizing pricing strategies and that can be easily customized to the unique requirements of a company or industry are available. In short, dynamic commerce “best practices” are still being defined within industries and will continue to evolve as new business processes emerge online.

Examples: ebay,UBid,GovDeals

# Electronic Trading

This refers to a method of trading securities, financial derivatives or foreign exchange electronically. Both buyers and sellers use the internet to connect to a trading platform such as an exchange-based system or electronic communication network (ECN). Electronic trading has become a popular method due to its ability to conduct transactions quickly and effectively.

## Benefits of Online Trading:



The Advantages of Online Trading are:

### **It is simple:**

It enables a trader to have a hassle free trading experience. Anyone can use these platforms as specific skill is not required to carry out trading online.

### **It is less expensive:**

It is less expensive as compared to traditional mode of trading. Brokers also promote online trading as it reduces maintenance and other costs incurred by the broker.

### **Quick and less time consuming:**

Trading can be done in a seamless manner and in less time. Before the advent of online technologies, trading was a cumbersome process as you had to visit the broker or call your broker for placing or cancelling trade orders. Now, you can carry out trading even through a smartphone in the simplest way.

### **Complete control:**

It allows you to have complete control over your portfolio. You can place trade orders from anywhere anytime. That is the kind of flexibility you get due to online trading.

### **Chances of error are less:**

In case of traditional offline trading, there were more chances of errors due to miscommunication between the traders and brokers. But in online trading, you can place trade orders or cancel without broker's interference and hence can manage trade transactions by yourself.

### **Monitor investment at all times:**

You can monitor investments anytime. There are mobile trading apps that can be downloaded in your smartphone which help you stay in touch with the markets and also monitor your investment anytime and take proper strategic moves accordingly. Loss making stocks can be removed and profit making stocks can be added to your portfolio by observing the way the market moves.

#### **Access to research reports:**

You can get access to top research recommendations, reports, analysis on stock price based on various charts. There are various brokerage websites through which you can have discussions with research experts as well. You can take the best move with the help of financial advisors too.

#### **Safety measures that have to be taken in case of online trading:**

- Trade orders should not be placed from shared PCs or cyber cafes.
- Always log out after carrying out trade in order to avoid any misuse of your account.
- Personal computers have to be protected against viruses by installing anti-virus solution.
- Do not click on “remember me” option when you sign in to your trading account from a different location.

Investment in financial assets is offered by several brokers. You can choose that which suits your needs and demands after comparison of brokers on the basis of services, brokerage charges, etc. Online trading helps you trade or invest in the most secured way. Its simple, easy and fast to trade online.

### **E-banking /Online banking**

**E-banking** is a product designed for the purposes of online **banking** that enables you to have easy and safe access to your bank account. **E-banking** is a safe, fast, easy and efficient **electronic** service that enables you access to bank account and to carry out online **banking** services, 24 hours a day, and 7 days a week.

Electronic banking has many names like e banking, virtual banking, online banking, or internet banking. It is simply the use of electronic and telecommunications network for delivering various banking products and services. Through e-banking, a customer can access his account and conduct many transactions using his computer or mobile phone.

#### **Advantages of E-banking**

We will look at the importance of electronic banking for [banks](#), individual customers, and businesses separately.

##### **Banks**

1. Lesser transaction costs – electronic transactions are the cheapest modes of transaction
2. A reduced margin for human error – since the information is relayed electronically, there is no room for human error
3. Lesser paperwork – digital records reduce paperwork and make the process easier to handle. Also, it is [environment](#)-friendly.
4. Reduced fixed costs – A lesser need for branches which translates into a lower fixed cost.
5. More loyal customers – since e-banking services are customer-friendly, banks experience higher loyalty from its customers.

##### **Customers**

1. Convenience – a customer can access his account and transact from anywhere 24x7x365.
2. Lower cost per transaction – since the customer does not have to visit the branch for every transaction, it saves him both time and money.

3. No geographical barriers – In traditional banking systems, geographical distances could hamper certain banking transactions. However, with e-banking, geographical barriers are reduced.

### **Businesses**

1. Account reviews – Business owners and designated staff members can access the accounts quickly using an online banking interface. This allows them to review the account activity and also ensure the smooth functioning of the account.
2. Better productivity – Electronic banking improves productivity. It allows the automation of regular monthly payments and a host of other features to enhance the productivity of the business.
3. Lower costs – Usually, costs in banking relationships are based on the resources utilized. If a certain business requires more assistance with wire transfers, deposits, etc., then the bank charges it higher fees. With online banking, these expenses are minimized.
4. Lesser errors – Electronic banking helps reduce errors in regular banking transactions. Bad handwriting, mistaken information, etc. can cause errors which can prove costly. Also, easy review of the account activity enhances the accuracy of financial transactions.
5. Reduced fraud – Electronic banking provides a digital footprint for all employees who have the right to modify banking activities. Therefore, the business has better visibility into its transactions making it difficult for any fraudsters to play mischief.

### **Disadvantages of E-banking /Internet banking**

**1. High start-up cost:** E-banking requires high initial start up cost. It includes internet installation cost, cost of advanced hardware and software, modem, computers and cost of maintenance of all computers.

**2. Security Concerns:** One of the biggest disadvantages of doing e-banking is the question of security. People worry that their bank accounts can be hacked and accessed without their knowledge or that the funds they transfer may not reach the intended recipients.

**3. Training and Maintenance:** E-banking requires 24 hours supportive environment, support of qualified staff. Bank has to spend a lot on training to its employees. Shortage of trained and qualified staff is a major obstacle in e-banking activities.

**4. Transaction problems:** Face to face meeting is better in handling complex transactions and problems. Banks may call for meetings and seek expert advice to solve issues.

**5. Lack of personal contact between customer and banker:** Customary banking allows creation of a personal touch between a bank and its clients. A personal touch with a bank manager can enable the manager to change terms in our account since he/she has some discretion in case of any personal circumstantial change. It can include reversal of an undeserved service charge.

### **Popular services under e-banking in India**

- ATMs (*Automated Teller Machines*)
- Telephone Banking
- Electronic Clearing Cards

- Smart Cards
- EFT (*Electronic Funds Transfer*) System
- ECS (*Electronic Clearing Services*)
- Mobile Banking
- Internet Banking
- Telebanking
- Door-step Banking

### **Services offered by Internet banking in India:**

1. **Bill payment** – Every bank has a tie-up with different utility companies, service providers, [insurance](#) companies, etc. across the country. The banks use these tie-ups to offer online payment of bills (electricity, telephone, mobile phone, etc.). Also, most banks charge a nominal one-time registration fee for this service. Further, the customer can create a standing instruction to pay recurring bills automatically every month.
2. **Funds transfer** – A customer can transfer funds from his account to another with the same bank or even a different bank, anywhere in India. He needs to log in to his account, specify the payee's name, account number, his bank, and branch along with the transfer amount. The transfer is effected within a day or so.
3. **Investing** – Through electronic banking, a customer can open a fixed deposit with the bank online through funds transfer. Further, if a customer has a demat account and a linked bank account and trading account, he can buy or sell shares online too. Additionally, some banks allow customers to purchase and redeem mutual fund units from their online platforms as well.
4. **Shopping** – With an e-banking service, a customer can purchase goods or services online and also pay for them using his account. Shopping at his fingertips.

### **Safety Measures for Internet Banking:**

- a. Customers should not share their user ID or Password with anyone.
- b. Customers must care that their passwords are not based on their name, spouse's name or the likes as they are easy to guess.
- c. The password should always be a combination of alphanumeric with special characters.
- d. It is important that the password is changed frequently.
- e. Any suspected misappropriation in the account of a customer must be reported to the bank without loss of any time.

The Reserve Bank of India has drafted and circulated among all the banks Specific guidelines for Internet Banking. These guidelines were accepted by the RBI on the recommendations of a working group on internet banking to examine different aspects of Internet Banking (I-Banking).