Cheque Truncation system and E-Cheque

In the five decades since independence, banking in India has evolved through four distinct phases. The Indian banking industry is in the midst of an IT revolution. Combinations of regulatory and competitive reasons have led to the automation of the Banking Industry. The Reserve Bank of India has made several reforms for a safe and efficient electronic mode of payment, along with improved efficiency in the paper-based mode of payments. In order to foster faster cheque processing the Central bank has implemented Cheque Truncation system in India on a test basis in the National Capital Region, in February 2008. Amendments to the Negotiable Instruments Act and the Informational Technology Act have been made to facilitate the smooth functioning of the New technology. The introduction of the new technology does not change the method of writing the cheques. Government Departments may have to re-engineer their Codes and Manuals governing settlement of their cheques through legally valid electronic images instead of physical cheques. India is doing something very unique because it has a very large cheque volume. It processes about 1.2 billion instruments annually. The National Capital Region alone processes 6, 00,000 cheques in a day. Countries such as Singapore have 4, 00,000 instruments daily.

As the domain of Negotiable Instruments is too vast to be easily covered by the Bridging provisions of the ITA-2000. If any attempt is made in a half-hearted manner to bring virtual instruments under the ambit of RBI, we may end up with more confusion. The amendment of 2002, which provides due recognition to recognition to the concept of e-cheque, has not appealed to the characteristics, which are inherent to a cheque. The aspects of transferability, endorsements, holder-in-due-course of a cheque have totally been overlooked by the legislature. Therefore, there is a need of another amendment which gives due recognition to these.

The US system has many similarities to the Indian system excepting for the concept of "Substituted Cheque" which is not in India. It also has several consumer protection oriented regulations. The Indian law also appears to be strong on the other legal aspects of defining the presentation of truncated cheques and the protection for the collecting and paying bankers. It may one day be

possible for payees to accept cheques just as credit cards and debit cards are accepted today. Even point-of-sale terminals – now being used for other applications - may possibly be image-enabled, so that truncated cheques may be viewed.

Another drawback of this concept is that due regard has not been given to those customers who are not conversant with the online transactions of the cheques. The provision has been introduced to bring convenience to the customers and faster working of the banking system. But, what about these customers, don't they need this convenience and speed in their transactions? It is therefore suggested that, some kind of training program should also be conducted so that every kind of customer is able to take maximum advantage of any such development so that it appeals to the masses as a whole.

Cheque Truncation System aims to make cheque clearance more efficient and reduce the clearance time of cheques to one day, thereby trimming down the floating time considerably.

Cheque Truncation is the process of stopping the physical movement of cheques. As per the amended Negotiable Instruments Act 1881, in cheque truncation, the movement of the physical instrument is stopped and replaced by electronic images and associated MICR line of the cheque.

BENEFITS

1. Faster clearing cycle
2. Better Customer Service - Enhanced Customer Window T+0 for Local Clearing and T + 1 for inter-city clearing.
3. Faster Realization and Credit.

India processes as many as 1.2 billion cheques annually and, therefore, the implementation of this system would drastically cut down the waiting period involved.

This is an online image-based cheque clearing system wherein the collecting bank branch would deploy scanned images along with the magnetic ink character of the cheque which will be sent out electronically using their Capture System.

The captured images and the data are then signed and encrypted and sent to the clearing house or the central processing location and, thereafter, forwarded to the drawee or paying bank. This helps speed up the cheque collection process.

Key Features of Cheque Truncation System

- User friendly graphic user interface
- Automated coding and endorsing of cheques
- Encryption of data file before transmission to the clearing house or the service branch
- Employs a unique transaction follower process to confirm the status of cheque
- Improved and efficient settlement and prevention of fraud
- Equipped with enhanced archival procedure that stores images and data facilitating report generation along with future enquiry
- Alerts RMs in case of return of cheque due to insufficient funds

Benefits of CTS for customers

There are many benefits of the cheque truncation system from the perspective of a customer.

- Clearance cycle gets shortened -- As this system is being implemented, the physical or manual movement of cheques for clearance is being ceased.
- With cheques being transmitted electronically, the settlement process becomes quicker, facilitating reduction in the clearance cycle.
- The fear of loss of cheques during transfer from the collecting bank to the drawee or payee bank is eliminated.
- Limitations of the current clearance system with respect to jurisdiction and geography are eradicated.
- This enables integration and consolidation of several clearing locations across various banks offering different service levels into one standard clearance system applicable throughout the country.
- CTS helps reduce the scope of fraud significantly.
- Moreover, the electronic transmission is quick and allows early detection of fraud or any alteration with respect to the payee, amount or the issuer of the cheque.
- CTS prescribe minimum security features under 'CTS-2010 standards' along with superior verification process that further facilitates in the reduction of frauds.

- The operational efficiency of both the bank as well as the customer is enhanced with the introduction of this system.

For example, like QuadQuick CTS is a product devised to help small and medium sized as well as Co-operative Banks for participation in CTS clearing. Here CTS is being provided on SAAS platform and we do not charge anything for the s/w application but provide the application on usage-based charges basis to member banks. Our solution works off-line and the files can be transferred using ordinary or regular internet connectivity to respective CHI gateways.

Quadpro is in the process of setting up CTS Facilitation Centers in every taluka and district of South India and these Image Service Bureau - ISB's will be instrumental in connecting all our consortium member banks to NPCI Southern Grid at Chennai.

What are Electronic Cheques:

Electronic cheques are another form of Electronic tokens. They are designed to accommodate the many individuals and entities that might prefer to pay on credit or through some mechanism other than cash. Once registered, a buyer can then contact sellers of goods and services. To complete a transaction, the buyer sends a check to the seller for a certain amount of money. These checks may be sent using Email or other Transport methods. When deposited, the cheque authorises the transfer of account balances from the account against which the cheque was drawn to the account to which the cheque was deposited.

The electronic cheques are modeled on paper checks, except that they are initiated electronically. They use digital signatures for signing and endorsing and require the use of digital certificates to authenticate the payer, the payer's bank and bank account. They are delivered either by direct transmission using telephone lines or by public networks such as the Internet.

Benefits of electronic Cheques:

• Well suited for clearing micro payments. Conventional cryptography of e-cheques makes them easier to process than systems based on public key cryptography (like digital cash).

• They can serve corporate markets. Firms can use them in more cost-effective manner.

• They create float and the availability of float is an important requirement of Commerce.

Advantages of Electronic cheques:

1. Similar to traditional cheques. This eliminates the need for customer education

2. Since Electronic cheques use conventional encryption than Public and private keys as in e-Cash, Electronic cheques are much faster.

The risk is taken care of by the accounting server, which will guarantee that the cheque would be honoured.

Disadvantages and Legal Issues of E-Cash

1. E-Cash cannot be broken into smaller denominations.

2. The concept of maintaining a database of spent notes is very expensive.

3. Accessing Database of spent notes is also very time consuming.

4. Transaction based taxes account for a significant portion of state and local government revenue. If e-Cash becomes successful, then people will use it to buy things like cars and houses, which would not have been possible with actual cash. (One can't physically carry so much of real cash)

5. Currency fluctuation is another issue related to e-Cash.

Electronic Funds Transfer (EFT)

Every transaction starts somewhere. In today's global economy, e-commerce is on the rise. Digital payment is the way of today, and tomorrow, and that means any business, large or small, needs to take advantage of electronic transactions. That's where electronic funds transfer comes in. This concept is applicable to every digital transaction out there, and for merchants, businesses, and consumers it's important to know how electronic money transfers work. This is electronic funds transfer explained.

EFT payment

An electronic funds transfer (EFT), or direct deposit, is a digital movement of money from one bank account to another. These transfers take place independently from bank employees. As a digital transaction, there is no need for paper documents. EFT has become a predominant method of money transfer since it is a simple, accessible, and direct method of payment or transfer of funds. As businesses increase their usage of EFT, paper checks become obsolete due to expense, slower expedition, and overall effort.

Electronic Fund Transfer Process

An EFT transfer is usually very straight forward. There are two parties: the sender of funds, and the receiver of funds. Once the sender initiates the transfer, the request channels through a series of digital networks originating from either the internet or a payment terminal, to the sender's bank, and then to the receiver's bank. Senders can be anyone from an employer, to a business, to an individual paying a vendor for a service such as electricity. Likewise, recipients can be entities like employees, goods suppliers, retailers, and utility companies. Most payments are cleared, that is complete, within a couple days.

3. Types of EFT Payments

FT payment methods vary. Every method of EFT offers ease and fast delivery, which is why it's become so popular. While EFT is preferred worldwide, it's important to know the various ways one can take part in EFT payments. Here are the most common types of EFT:

Electronic Cheque

In this payment, a digital check is generated upon the payer's authorization. E-checks are commonly used for vendor payments.

Direct Deposit

With direct deposit, funds are automatically deposited into an account with little to no paperwork. This method is popular among employees. While the automatic deposit requires almost no work on a regular basis, the deposit needs to be set up,

and this requires bank account information for the recipient, among other potential information for entry.

Phone Payments

This is a casual transaction, and it occurs during a phone call. Usually the payee will supply their information, typically a card number, to the recipient over the phone. The transaction will happen on the recipient's line. The payee does very little after verbal authorization. This is common for utility payments.

ATM Transactions

A global convenience, ATM transactions occur at electronic kiosks found throughout cities and banks all over the world. In this case, a person is withdrawing cash from their bank account by inserting their debit card into a machine, which will transmit information to the bank, and then process the request to dispense money. It is an instant transaction.

Card Transactions

During the point of sale phase of a transaction, a credit card or debit card is the most commonly used form of payment around the world, replacing cash. This can be in person or online, and entails the swipe, dip, or entry of a card, during which account information is electronically received and a payment withdrawal is approved, then the payment is scheduled and processed within a day or two.

Internet Transactions

The internet version of tapping, swiping, or inserting a card involves manual entry into a point of sale field, followed by clicking a payment button. This process does the same as the above, processing an approval for payment, and then transferring funds for payment within a couple days.

4. What's the Difference Between an EFT and an ACH?

ACH stands for Automated Clearing House. The ACH is a network of financial institutions whose intent is to provide security in the transfer of funds. So in an ACH transaction, the request will stop through the ACH between the initiation

and the bank itself. That means that ACH transactions add an extra day or two, but if speed is less important than security, this is a desirable option.

EFT is a blanket term for all digital transactions, and an ACH is just one type of EFT. As noted above, there are many types of electronic transfers, so it's up to the business and the consumer to decide what kind of EFT is best for their needs.

5. Are Electronic Fund Transfers Safe?

One of the best features of the EFT is its security. While transmitting over the internet always involves an element of risk, EFT is generally considered a safer method of payment than a traditional paper check. Some types of EFT, like the ACH, are more secure than others. The best way to ensure a tamper-free EFT is to use companies that you know and trust, or come from a reliable source in the case of a recommendation. Using third party entities, like EBANX, can help make the right decisions when it comes to navigating EFT for your own business.

6. What are the Benefits of Electronic Fund Transfer?

When it comes to payment, EFT has a lot to offer. All types of EFT are fast and reliable, and they don't require much work on either end of the transaction. This means EFT is a cost-effective solution so businesses save money. The low effort aspect is a financial benefit when it comes to time spent, but it also means employees can concentrate on larger issues since the details are taken care of through electronic automation.

The use of paper checks requires check printing and postage, both of which are extra costs. Personnel interaction is needed for these tasks, which means less gets done, or additional employees are necessary. A risk of mailing checks involves potential mail loss, or even interception of checks. Stop payment is a necessary expense in either of these cases. All of this is gone with an EFT.

When using cash, an in-person transaction is required. There's risk of human error for counting, risk of fraudulent bills, and extra expense and effort for an employee to manage the money from transaction to filling the safe, to in-person

deposit at the bank. Again, these risks are totally gone with an EFT solution, like a credit card.

EFT's established safety is one of the best benefits. Besides cost, secure business establishes entities as trustworthy, resulting in repeat sales and long-term relationships.

7. How Do Electronic Funds Transfers Work for International Payments?

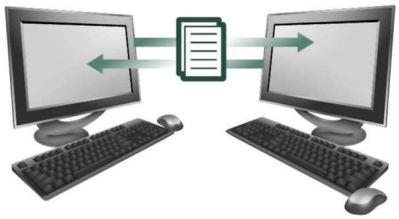
In a global e-commerce world, EFT makes businesses thrive. From anywhere in the world, EFT technology enables businesses to reach the entire population. The same ease and cost-effective nature exists with international payments, and businesses rely on this convenience. Indeed, EFT is a window into worldwide business, giving the same opportunities to small tech start-ups as large corporations. Fintech has greatly benefited from EFT, especially in Latin America.

In essence, international payments work the same way that local EFT payments do, however, some countries have rules for high payments. Foreign transaction fees and exchange rates will apply to varying amounts, so it's important to know that information to keep books in order. Overall, international payments result in greater income potential for any business around the world.

What is the use of EDI, EFT, or Email in eCommerce?

In eCommerce — EDI means interchange data electronically, EFT means to transfer money from one bank to another, Email is to exchange message.

Before the start, I want to tell you something that is very important and profitable for you. For the development of India MaMITs provide free services to all Indian business. MaMITs Provide Free e-commerce website design and Free e-commerce mobile application — Android app + iOS app both.



EDI:

- The full form of EDI is an Electronic data interchange.
- Data or business document is interchange or exchange electronically.
- EDI is a computer to computer exchange data or business document electronically between business partners.
- It is used in B2B transition.
- Companies use EDI system to interchange data and information electronically by computer, it is a paperless transaction.
- This is used to completely eliminate the need for human interruption or intervention.
- Document list that can be shared: Inventory documents, Customer documents, Payment documents, Purchase orders, Invoices, Advance ship notice, etc.

Advantages of EDI:-

- With the help of an example, I will describe the advantages of EDI: When a buyer selects a product and purchase order, if the supplier has that product then automatically generate an invoice then buyer get that invoice easily. That process is done within a seconds.
- Paper documents are eliminated.
- Human interruption is less.
- Time is taking an important role to grow any business, and with the help of EDI, we can save more time.

Disadvantages of EDI:-

- Let's take an example to understand the disadvantage of EDI: Buyer generates the purchase order and sends to the supplier. The supplier receives order then supplier enters the invoice into their computer. Invoice of that product is created then the invoice is sent to the buyer after that buyer enters an invoice into their computer.
- This will take more time.
- This process normally takes three to five days.

EFT:

- The full form of EFT is an electronic funds transfer.
- The electronic funds' transfer is a process of transfer money from one bank account to another.
- The transaction takes place over a computerized network, either among accounts at the same bank or to different accounts at the separate bank.
- It is also known as an online transaction or PIN-debit transaction.
- EFTs are done on direct-debit transactions, wire transfers, direct deposits, ATM withdrawals, payroll payments, debit or credit transfers, mortgage payments, and online bill pay services.

- It is a paper-free banking system, where a very large number of invoices and payments take place over digital networks.
- Due to its benefits, electronic funds transfer systems are promoted by most financial institutions.
- This process is secure and very fast, in the future it will play a very important role to grow any business.
- EFT is secured by a personal identification number (PIN) or the login information.
- Example of EFT: ATMs, PayPal, Tez, Venmo, Square Cash, Google Wallet, Pay-by-phone systems, Wire transfers, Online or mobile banking, Electronic checks, PhonePe etc.

Benefits of EFT:

- This is a very simple and secure transferring method.
- This is a paper-free banking system.
- There is no need for bank staff.
- Great security and protection to the funds.
- cheaper
- Save time, save money, improve credit score.

Email:

- The full form of Email is an electronic mail.

- Email is the process of exchanging message using the internet through the computer, mobile phone etc.
- This is also written as electronic mail, e-mail or email.
- Email is a message that contains text, files, images, or other attachments sent through a network to an individual or group of individuals.
- The first Email was sent by Ray Tomlinson in 1971.
- Only mainframes, minicomputers, and computer networks have an email system.
- Mainly companies and institutes use the e-mail system because it is fast, flexible, and reliable.
- All online services and Internet Service Providers use email. Usually, it takes only a few seconds or minutes for mail to arrive at its destination.

Benefits of Email:

- It is secure.
- It has a low cost.
- It is quick
- Photos, documents, and other files can be shared.
- One email can be sent to more than one recipient at a time.
- You can store it in a text file.
- Easily forward to other users.
- Delete it.