

## Funds Transfer: Pros and Cons

**B. M. Munde,**

Assistant Professor Department of Economics, Karmaveer Bhaurao Patil College  
Vashi, Navi Mumbai. 400 703, Maharashtra, India

### Abstract

Electronic Funds Transfer (EFT) is the electronic transfer of money from one bank account to another, either within a single financial institution or across multiple institutions, via computer/ mobile -based systems without the direct intervention of bank staff. EFT can through RTGS, NEFT, ECS, IMPS, UPI (Unified Payment Interface), Net Banking, Apps developed by various institutions etc. The RBI especially from 2007 and presently GOI are promoting digital/e-funds transfer in our country. According to RBI, it offers some advantages like, instant transactions anytime from anywhere, less cost, decongestion of bank offices, reduced risk of loss and theft, less paper work etc. However, there are also some issues regarding this mechanism like security, awareness among the people, coverage and availability of required infrastructure etc. Accordingly, RBI fixed fraud-reporting responsibility on banks. Strongly asked to follow KYC norms, to develop capable technology to protect e- Transfer and follow the greater level of scrutiny. No doubt, it is need of time and essential for development of the nation. However, this system has some pros and cons, which discussed in this research paper in order to minimise risk and maximise advantages of technology for transfer the funds.

**KEYWORDS:** E-Funds Transfer, Security, Pros and Cons etc.

### 1. Introduction

The RBI plays a pivotal role in the development of India's payment and settlement systems for both large-value and retail payments. The central bank played a pioneering role in automating the paper-based clearing system in the 1980s. It introduced an electronic funds transfer system and electronic clearing services (ECS Credit and Debit) in the 1990s. The special electronic funds transfer (SEFT) system was introduced in April 2003 (subsequently discontinued in March 2006, after the implementation of the National Electronic Funds Transfer (NEFT) system in November 2005) and the Real-time Gross Settlement (RTGS) system in March 2004. The RBI operates the RTGS, which has replaced the paper-based inter-bank clearing system and settles a sizeable volume of large-value and time-critical customer transactions. RBI also manages the clearinghouses. The RBI introduced the NEFT system in November 2005. Together with ECS, this forms the electronic retail payment infrastructure.

The National Electronic Clearing Services (NECS) system, which aims to centralize the Electronic Clearing Service (ECS) operation and bring uniformity and efficiency to the system, was implemented in September 2008. At present, the NECS settles only credit transfers.

The Vision Statement of RBI indicated commitment towards providing a safe, efficient, accessible, inclusive, interoperable and authorized payment and settlement systems for the country. Payment systems will be driven by customer demands of convenience ease of use and access that will impel the necessary convergence in innovative e-payment products and capabilities. Integration of various systems through unified solution architecture and current technology

would lead to adoption and usage of resilient payment systems. Regulation will channelize innovation and competition to meet these demands consistent with international standards and best practices. The overall regulatory policy stance is oriented towards promoting a less cash/less paper society, the “green” initiative, and hence the increased emphasis on the use of electronic payment products and services that can be accessed anywhere and anytime by all at affordable prices. Embracing new technology and innovation to unveil a bouquet of simple, low cost, easy to use modern payment products and services would be the corner stone of this endeavor. The Reserve Bank recognizes that building dexterity of payment systems through standardization and a broad consultative process is a continuing agenda.

## 2. Objectives of the Study

1. Analyse advantages and disadvantages of e-Funds Transfer.
2. Accordingly make suggestion to minimize risk and make funds transfer system more effective.

## 3. Research Methodology

This research work is based on secondary data from various sources like reference books, articles from newspapers, general observations, web sites etc.

## 4. Advantages of e-Funds Transfer

1. **Time saving:** Money transfer between virtual accounts usually takes a few minutes, while a wire transfer or a postal one may take several days. In addition, you will not waste your time waiting in lines at a bank or post office.
2. **Less operation cost:** As compared to traditional / earlier methods of funds transfer, e- funds transfer methods are economical.
3. **Reduced risk of loss and theft:** You cannot forget your virtual wallet somewhere and robbers cannot take it away. Although in cyberspace, there are many scammers from which we should be protect ourselves.
4. **Low commissions/charges for transfer funds:** If you pay for internet service provider or mobile account replenishment through the UPT (unattended payment terminal), you will encounter high fees. As for the electronic payment system: a fee of this kind of operations consists of 1% of the total amount, and this is a considerable advantage.
5. **User-friendly:** Usually every service is designed to reach the widest possible way to the people, so it has the intuitively understandable user interface. In addition, there is always the opportunity to submit a question to a support team/ customer care that works 24/7 which most of the time is toll free. Anyway, we can always get an answer using the forums on the subject.
6. **Convenience:** All the transfers can be performed at anytime, anywhere. Only thing is that there should be availability of internet facility with sufficient speed to the users.

## 5. Disadvantages of e-Funds Transfer

According to the PwC Global Economic Crime survey 2014, cybercrime was one of the top economic crimes reported by organisation across the world including India. In 2013, India was among the first five top countries in terms of number of cybercrimes like ransom ware, identify theft and phishing attacks. The total no. of cybercrimes registered were 4356, of which 2098 arrests made. It implies around 50 percent crimes we could trace. Some cons of e-funds transfer are as following:

1. **Restrictions:** Each payment system has its limits regarding the maximum amount in the account, the number of transactions per day and the amount of output.
2. **The risk of being hacked:** Even though as compare to robbery, risk is less here. But, if customer did not follow minimal security rules or the system of Security Company is broken, customer will expose to more risk to theft money or identity.
3. **The problem of transferring money between different payment systems.** Usually the majority of electronic payment systems do not cooperate with each other. In this case, you have to use the services of e-currency exchange, and it can be time-consuming if you still do not have a trusted service for this purpose.
4. **The lack of anonymity.** The information about all the transactions, including the amount, time and recipient are stored in the database of the payment system. It means the intelligence agency has an access to this information. You should decide whether it is bad or good. Recently it is cleared that the information about Aadhar Card is liked from 210 web sites of the Government.
5. **The necessity of internet access:** If Internet connection fails, you cannot get to your online account.
6. **Triangulation/Site Cloning:** In case card holder entered card in fraudulent site for transaction, details can be stolen and misused by others.
7. **Online Fraud:** By using various tricks details of account holders is obtained and then used for online purchase.
8. **Account Takeover Fraud:** An Individual illegally obtains personal information of valid customers and takes control of the account. Ex. Fake or similar interface Apps.
9. **Computer Viruses:** At every click on the internet, computer systems are open to the risk for being affected and nefarious software are set up to get information from the systems.
10. **Risk associated with the mobile banking:** Mobile banking applications being mapped to an incorrect mobile numbers. It can be done by bank employees. However as they have fear of losing job will not dare but can be happened.
11. **SIM Swap:** It means while replacing old SIM with a new one due to any reason, in this case Valid Mobile Station International Subscriber Directory Number (MSISDN) is moved to another handset. Then, without notice to the concern SIM holder fraudster can transact in the account. Of course, here pin is required therefore; it is not easy but can be happen.

## 6. Conclusions

Even though there are some advantages and threatening disadvantages of e-funds transfer system, there is no another appropriate optional way to it, we have to adopt technology to transfer funds electronically and smoothing economic activities in the country. However, we have to design effective fraud detection and prevention mechanism. The prevention mechanism includes awareness initiatives, third party screening, automated control, bench marking, fraud risk assessment and governance. For detection, we required strong investigation cell, flexible audit plans, vigil mechanism, deep learning behavioral analysis etc. It will help to minimize risk and maximize advantages for smooth functioning of e- funds transfer system.

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