

MAIN FEATURE



Click For Money

The world is changing at a fast pace and the emerging technology is playing a significant role in it. In the 21st century when “running short of time” has become a new buzz word, can people really afford to spend hours for paying electricity bills or managing cash transactions? Your answer is negative, and so is that of Vishesh Sharma. That is why he tracks the journey of e-money and the various options available with the layman. Not to forget the necessary precautions while managing e-money

We all must have experienced a rather typical scenario wherein the elders of the family have at some point or the other taken huge bundles of cash while shopping for Diwali or for marriage. Imagine how uncomfortable it used to be, not to forget the fact that there would be two to three people to accompany the shoppers for security sake. And that would also be the case if money had to be deposited or withdrawn from the bank for a rather large-sized transaction. Taking leave from office was the norm, so that an entire day could be ‘dedicated’ for banking procedures. Bearing all this agony for our own money was never justified from any point of view.

However, we, the next generation of the 21st century, are a bit lucky since a number of innovative products for making

payments have been developed in recent years, taking advantage of the rapid technological progress and financial market development. Transactions made using these innovative products are accounting for an increasing proportion of the volume and value of domestic and cross-border retail payments. The phenomenon of e-money significantly emerged in 1993, when it only involved pre-paid cards. Since then a whole lot has changed on the payment mode front. The use of software-based electronic money products has developed, changing the situation drastically and making it absolutely easy and convenient for consumers.

“Technology has definitely played a key role in making transactions easy for people. Look at the case of mobile payments where you can either pay through voice calls or

through SMS. In fact, mobile companies are now specially loading a new application in cellphones for such financial transactions. This is further going to change the way people use money," says Devang Nerala, CEO, Atom Technologies, a company that has created various technologies – mobile-based, biometric-based, point of sale terminal-based etc - to allow banks as well as business correspondents to reach out to the masses for providing financial services.

With emerging technology we have also experienced a wide range of payment options from plastic money to m-money, which are available for the layman. Let us take a look at them.

Credit Cards

A credit card is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services at a later date. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user. However, this form of money did not yield pretty good results. The bankers distributed them recklessly and people, not knowing how to use them, blundered while using these cards. This led to some really nasty consequences for the consumers on one hand while issuers faced losses failing to recover money from unscrupulous customers on the other. Remember that any mode of payment or a substitute for cash is good as far as you have actual cash to back it. This is where the emergence of debit cards became handier.

Debit Cards

A debit card (also known as a bank card or a check card) is a plastic card that provides an alternative payment method to cash when making purchases. Functionally, it can be called an electronic check as the funds are withdrawn directly either from 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. The one big advantage of a debit card is the fact that you never tend to over-spend as the card gets locked up to the cash level in your bank account.

Pre-Paid Cards

It is a card where money is deposited with the issuer similar to a debit card. However, one significant difference between pre-paid debit cards and stored value cards is that the former are usually issued in the name of individual account holders while the stored value cards are usually anonymous. The value associated with the card can be accessed using a magnetic stripe embedded in the card on which the card number is encoded using radio-frequency identification (RFID) or by entering a code number, printed on the card, into a telephone or other numeric keypad.

Online Banking/Internet Banking

Also known as e-banking, it allows customers to conduct financial transactions on a secure website using your bank account. To do this all one needs to do is to log on to the

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bank account and use the customer ID and password to conduct transactions.

Telephonic Banking

This system is pretty much a norm amongst people and involves IVR (interactive voice response) payments solution. This system enables payments over the phone just by entering card details on a keypad of any landline or mobile phone.

Mobile Banking

It is a term used for performing balance checks, account transactions, payments, credit applications and other banking transactions through a mobile device such as a mobile phone or a personal digital assistant (PDA). The earliest mobile banking services were offered over SMS. A mobile application enabled consumers to pay for products and services using a credit or debit card through a mobile phone. This is a very recent form of banking and is yet to fully grow. Mobile banking has until recently (2010) most often been performed via SMS or the mobile web.

Mobile Payments

The deep penetration of mobile communication has thrown open newer vistas of reaching out to consumers and as a result mobile payment has emerged as an alternative payment method. Instead of paying with cash, cheque or credit cards, a consumer can use a mobile phone to pay for a wide range of services and digital or hard goods. These may include anything from music, videos, ring tones, online game subscriptions or items, wallpapers and other digital goods, transportation fares (airline bookings, buses or railway bookings), parking meters and other services, books, magazines, tickets and many other hard goods.

Recently, Idea Cellular announced joining hands with Axis Bank to provide an entire range of financial products and services offered by the bank through the mobile operators' retail outlets. S K Mitra, President-Agri Business & Rural Banking, Axis Bank, says, "We are keen to adopt additional delivery channels to drive financial inclusion and are particularly keen on a mobile-based channel, considering the reach and the low-cost service delivery platform. Since only 41 per cent of the adult population has bank accounts whereas more than 70 per cent of adults own a mobile connection, associating with a telecom service provider looks to be the apt choice."

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How Safe?

This is the question which most of the people ask while doing an electronic transaction. The feeling of insecurity can be attributed to the fact that many people have suffered losses due to online monetary frauds. However advanced the money system may become, the fact remains that nothing

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S K MITRA
*President-Agri Business
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Axis Bank*

is fool-proof. Every system has its pros and cons and the traps and pitfalls can only be avoided by taking few basic precautions.

“Most electronic money transactions are pretty safe now and the credit goes to RBI which keeps coming up with the necessary guidelines. Last year it announced the internet payment guidelines while this year it has introduced the IVR guidelines for second level password. All these measures will reduce the number of fraud cases. Another thing is that the fraud cases are not impacting the common user. These mostly happen with people who use international cards. From the technology perspective, people do not have to worry. It's only the human intention out there which is causing trouble. Also, monetary frauds happen when people compromise at the security level or become careless,” says Nerala.

So, while e-money is a very convenient way of making payments without the hassles of carrying cash around, one needs to be very careful while using it. To make your life easy while using e-money here are some basic factors that you need to keep in mind. Remember that at the end of it all it's your own money and you are responsible for its safekeeping.

Dos

- Monitor your accounts frequently and immediately report any suspicious activity to your bank.
- Preferably transact on sites which mandate validation of CVC2 value (the last 3 digits after the card number mentioned on the signature panel at the back of the card) or at websites that are certified as Verified-By-Visa or MasterCard SecureCode.
- Limit the number of and type of people who can originate transactions, and keep your computer/mobile systems up-to-date and protected.
- Look for signs of security. Identify security clues such as a lock image at the bottom of your browser, or a URL that begins with https://. These signs indicate that only

you and the merchant can view your payment information.

- Obtain and install firewall, anti-virus, anti-malware and anti-spyware software. Make sure these protections are active and automatically updated by your vendor.
- Limit or eliminate unnecessary web surfing and email activity, including personal activity, on computers used for online banking.
- Be suspicious of emails/SMSs purporting to be from other financial institutions, federal, state or local government departments or agencies, or taxing authorities that request personal information.
- No matter how secure your computers/mobiles may be, every owner has a responsibility to protect sensitive information and accounts from unauthorised access.
- When you dispose of a card at the time of renewal/ upgradation, make sure to cut it diagonally before disposal. Also, ensure that the card is swiped in your presence.
- Make sure you conduct any ATM transaction in complete privacy.
- If your card is held back by the ATM, inform the concerned call centre/branch personnel immediately.
- Before you use an ATM ensure that there are no strange objects in the insertion panel of the ATM.
- Change your ATM PIN once every three months.
- When you make any transactions, make sure that the charge slip is complete before signing.
- Pay attention to your billing cycles. A missing credit card bill could mean an identity thief has taken over your account and changed your billing address to cover his tracks.
- Sign your credit cards as soon as you get them and check your cards periodically to make sure none are missing.
- Destroy and dispose of copies of receipts, airline tickets, travel itineraries and anything else that displays your card number.

Don'ts

- Do not share user IDs, passwords, PINs (personal identification numbers), dynamic tokens with anyone, and do not leave any such information or items in an area that is not locked or secured.
- Do not leave a computer unattended when using any online banking or financial services, and never conduct online banking from a public computer.
- Do not click on a link in any email purported to be sent from a bank. The bank's official emails will always instruct you to log into online banking for updates, notifications, and account statements.
- Do not hand over the card to anyone, even if he/she claims to represent the bank.
- Do not get carried away by strangers who try to help you use the ATM machine.
- Do not write the ATM PIN on the card or on a paper which you carry along with the card.

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