

An Evaluation of Electronic Fund Transfer (Eft) and Its Financial Implications with Special Reference to Banking Sector in India

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ABSTRACT: *The article is an earnest attempt to explore the financial implications of Electronic Fund Transfer (EFT) in the banking sector in India. Generally the development of the nation is directly linked with the performance of banking sector in India. Moreover the banking sector is completely relied upon the customers in the nation. The banks in India are quickly responded to the recent trends in the world to give higher level of services to such customer EFT is one of the most important such trends in the banking sector. This EFT helps to improve the image of the bank, improves the service quality for the customers and ultimately improves the economy of the entire nation. The paper starts with an overview of EDI / EFT and later on discussing the financial implications of EFTI the banking sector.*

KEYWORDS: *Electronic Data Interchange - Electronic Fund Transfer – Banking sector – Economy of India – Customer Service*

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I. INTRODUCTION

Banking sector is one of the most vibrant sectors in India. Especially after the surgical strike 'demonetization', the value addition of banking has increased to a greater extent. The daily updation in the field of IT and technology has accelerated the growth of banking sector also by way of improving the banking services. The acquaintance of sophistication has helped the bank to give fast and accurate services to their customers. Moreover the customers are also satisfied in such fabulous services.

Electronic Data Interchange is one of such remarkable milestone in the growth of banking industry. The data interchange in electronic for helps t get important data at right time, at right place, at right format. Electronic Data Interchange simply refers to the electronic exchange of business documents like purchase orders, invoices, shipping notices, receiving advices etc... in a standard, computer processed, universally accepted format between trading partners. Electronic Data Interchange can also be used to transmit financial information and payments in electronic format which is called as Electronic Fund Transfer (EFT).

The banks are quickly responded to this change in the industry. The adoption of Electronic Fund Transfer (EFT) has improved the financial structure of industrial customers, banks and even the positive impact came to the national economy also.

II. OBJECTIVES OF THE STUDY

- ❖ To analyze the financial implication in banks after Electronic Fund Transfer (EFT).
- ❖ To understand the benefits of EDI / EFT to banking customers.
- ❖ To study the importance of Electronic Fund Transfer (EFT) in economical acceleration.

III. RESEARCH METHODOLOGY

Descriptive research is used in this study to identify the implications of Electronic Fund Transfer (EFT) among banking customers. The study also designed to study the financial implications in banks after the introduction of EDI / Electronic Fund Transfer (EFT) in the banking sector. Primary data were collected through a structured questionnaire however secondary data were extensively used to create a frame work for the study.

Simple regression analysis is used to identify the relationship between financial implication of Electronic Fund Transfer (EFT) and customer satisfaction of banking services. The sample size for the study is 120 industrial bank customers and 20 banking management / employers selected by using convenient sampling technique.

IV. DATA ANALYSIS

The term Electronic Data Interchange can be well interpreted as a standard data format used to add valuable remittance details to the ACH payments of the customers. It covers invoice numbers, reference numbers, discounts and much more. The fundamental advantages of Electronic Data Interchange (EDI) in banking sector are reduced paper works and improved accuracy in information exchange.

The success or failure of any business is greatly depending upon the accurate data at needed time. The mechanism of Electronic Data Interchange (EDI) helps to overcome all the drawbacks of traditional manual data interchange. The improved services from the banking sector attracted more customers to the bank and customers relied upon the accuracy and necessity of data interchanged through EDI. The implementation of Electronic Data Interchange (EDI) has increased the volume of business of banks also.

The Electronic Data Interchange (EDI) in banking can be broadly classified in two categories. One is Financial Electronic Data Interchange (EDI) and other one is Non – Financial Electronic Data Interchange (EDI). The exchange of payments and payment related information in a standard format is called FEDI. Whereas NFEDI includes business data such as price quotation, purchase orders, shipping notices etc....

There are some universally accepted standards for the purpose of Electronic Data Interchange (EDI) . ANSI X12, UNI/EDI FACT, 150 20022 XML, NACHA, SAP IDOC, Microsoft Excel, SWIFT, FIX XML etc... are the general Electronic Data Interchange (EDI) formats. However these codes are changing according to the type of corporate or business and even according to the region. The Electronic Data Interchange (EDI) format for bank – bank interchange is SWIFT. This is an Electronic Data Interchange (EDI) code used by banks for international transfers.

SWIFT is a dominant worldwide standard that includes more than ten thousand members. The worldwide commercial banks, Federal Reserve, security firms etc... are coming under SWIFT code. The Society for Worldwide Interbank Financial Tele communication (SWIFT) code is relevant in Indian banking sector also. However the term Electronic Fund Transfer (EFT) is used to transfer the funds between bank accounts at national level. The implementation of core banking in India boosted up the phase of Electronic Data Interchange (EDI) as well as EFT.

The importance of EDI / EFT implementation though the opinion of certain industrial bank customers are given below to get more clarity about the need of such EDI / EFT in the ever-changing world.

Table No: 01Opinion about EDI / EFT among the industrial bank customers

Sl No	Personal Opinion	SA	A	N	DA	SDA
1	The EDI / EFT helps to increase your business	84	17	19	--	--
2	The implementation of EDI / EFT in banking sector is a rewarding initiative	109	11	--	--	--
3	The implementation of EDI / EFT helps to reduce the paper works.	120	--	--	--	--
4	EDI / EFT helps to reduce the time span of data interchange.	117	02	01	--	--
5	EDI / EFT improved the accuracy of the data interchanged.	95	11	08	06	--
6	EDI / EFT motivated to do more transaction with banks.	101	13	06	--	--
7	Are you satisfied in the security and safety platform of EDI / EFT?	78	16	04	12	10
8	Introduction of SWIFT code creates a strong platform for export / import business.	64	28	26	02	--
9	The EDI / EFT systems are more convenient than traditional system.	106	14	--	--	--
10	Regional / Co-operative banks should also adopt EDI / EFT mechanism	111	07	02	--	--

Though the electronic transfers began its operation during seventies. The active working was started during 1990's in India. The introduction of core banking and ACH system has accelerated the electronic transfers. Presently EFT in India is basically doing through two platforms. One is NEFT and the other one is RTGS. Both of the techniques were introduced in the early 2k. The opinion of the customers of the various banks states that EDI / EFT implementation has a great impact in their business. They started using banks for the functions more than just deposits. The customers of the time span of EDI / EFT and they are satisfied with

the accuracy of the data and safety. Moreover they are happy to express their gratitude for such a paperless mechanism.

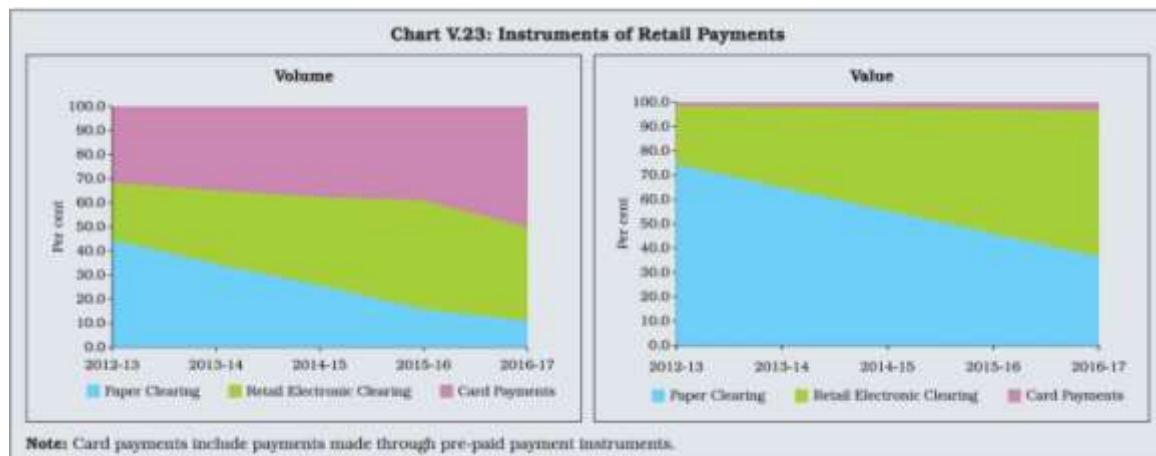
Following is table shows the quantitative figures regarding the volume of transactions made by certain banks in India since after 10 years of the implementation of NEFT and RTGS. Three nationalized banks, three private sector banks and three foreign banks are selected for the analysis.

Table No: 02 Volume of transactions using NEFT / RTGS

Sl No	Name of the bank	NEFT	RTGS
1	Punjab National Bank	78510217	13221366
2	State Bank of India	374439509	42614725
3	Union Bank of India	53328113	5157175
4	Axis Bank	135336788	17366148
5	HDFC	239654917	41692695
6	ICICI	183976889	15907834
7	Bank of America	8063599	637919
8	JP Morgan	5468826	150317
9	Abu Dhabi Commercial Bank	36386	22477

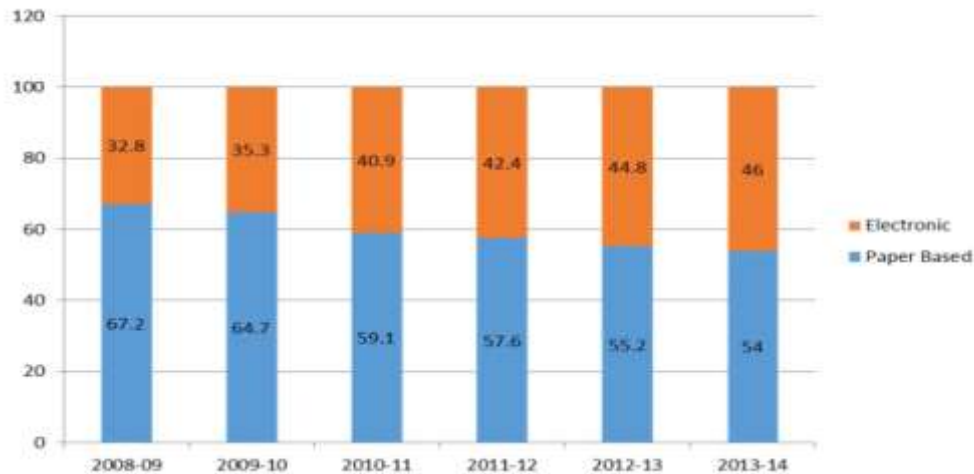
The table shows that the acceptability of the Electronic Fund Transfer (EFT) in the banking sector. All the banks irrespective of their sector has a remarkable volume of Electronic Fund Transfer (EFT). These statistics shows that the customers of the banks are expecting such recent trends from the banks.

‘Cashless Economy’ is one of the main motives of RBI in this rapid growing world. The commercial banks in India is doing works to adhere this motive of RBI. The electronic exchange of funds is increasing year by year. The rapid advancement in technology has opened new developments I the banking sector and such innovations increased the economical stability of the banks. The following statistics of RBI proves the same.



During 2016-17, 88.8% of the non- cash retail payments in terms of volume and 63.3% of the non-cash retail payments in terms of value were undertaken through electronic modes. And again in 2016-17 RBI took major initiative to accelerate the usage of electronic payments and transfers. The Ind AS and Basel III frameworks will be focusing for the year 2017-18.

The entire economy of the nation is moving towards the electronic system rather than paper interchanges. The below given chart will show the proportion of transactions carried under electronic platform and paper platform.



The chart shows that the attitude of customers towards electronic interchanges is increasing year by year. In 2008-09 electronic transactions were just 32.8% and it is increasing steadily and reached at 46% in the year 2013-14. This is the positive sign already mentioned throughout this research paper.

V. CONCLUSION

Understanding of the drawbacks of traditional data interchanges and payment mechanism paved the way to think about electronic interchanges. India needs to change the technology and the system to survive in these rapid growing world economies. The transformation of banking sector to electronic data / fund interchange is a part of such change. The electronic payments are broad in sense and include credit card payments, mobile banking, online payments, NEFT, RTGS, SWIFT etc... For this study we choose only NEFT and RTGS because of its volume of transaction and more importance to the fund transferring system. The study is concluded with a clear point that the introduction of NEFT and RTGS has increased the volume of revenue to the banks. The number of customers using these platforms is increasing year by year. Hence the motive of RBI, 'Cashless Economy' will be fulfilled in very few years.

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