

RTGS

Real Time Gross Settlement (RTGS) is an electronic form of fund transfer where the transmission takes place on a real time basis.

What do you mean by Real Time? What is the Meaning of Gross Settlement"?

Here the words 'Real Time' refers to the process of instructions that are executed at the time they are received, rather than at some later time. On the other hand "Gross Settlement" means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). The settlement of funds actually takes place in the books of RBI and thus the payments are considered as final and irrevocable. The attraction of RTGS is that the payee banks and their customers receive funds with certainty and finality during the same day enabling them to use the funds immediately without exposing themselves to risk. RTGS system, do not create credit risk for the receiving participant because they settle the each payment individually, as soon as it is accepted, liquidity risks remains, as well as the possibility of the risks being shifted outside the system.

NEFT

National Electronic Funds Transfer (NEFT) is an Indian system of electronic transfer of money from one bank or bank branch to another. Under NEFT, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. The funds under NEFT can be transferred by individuals, firms or corporates maintaining accounts with a bank branch. Even individuals not having a bank account can deposit cash at the NEFT-enabled branches with instructions to transfer funds using NEFT. However, such cash remittances will be restricted to a maximum of Rs.50, 000/- per transaction. Such walk-in-customers have to furnish full details including complete address, telephone number, etc. NEFT, thus, also help in transfer of funds even without having a bank account. This is a simple, secure, safe, fastest and cost effective way to transfer funds especially for Retail remittances.

What are the minimum and maximum amount of remittance under RTGS and NEFT?

	RTGS	NEFT
Minimum Amount:	RS 2 lakhs	No minimum limit
Maximum Amount:	No upper ceiling	No upper ceiling

(However, maximum amount per transaction is limited to Rs.50, 000/- for cash-based remittances and remittances to Nepal.)

Electronic Clearing Service (ECS)

Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.

3. Challenges in Banking Sector

Developing countries like India, has a huge number of people who don't have access to banking services due to scattered and fragmented locations. But if we talk about those people who are availing banking services, their expectations are raising as the level of services are increasing due to the emergence of Information Technology and immense competition between the services and products provided by different banks. Since, foreign banks are playing in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations. India's banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. The major challenges faced by banks today are as to how to cope with competitive forces and strengthen their balance sheet. Today, banks are groaning with burden of NPA's. It is rightly felt that these contaminated debts, if not recovered, will eat into the very vitals of the banks.

High transaction costs

A major concern before the banking industry is the high transaction cost of carrying non-performing assets in their books. The growth led to strains in the operational efficiency of banks and the accumulation of non-performing assets (NPA's) in their loan portfolios.

Regulatory pressure

Regulatory requirements continue to increase, and banks need to spend a large part of their discretionary budget on being compliant, and on building systems and processes to keep up with the escalating requirements.

Timely technological up gradation

Already electronic transfers, clearings, settlements have reduced translation times. To face competition it is necessary for banks to absorb the technology and upgrade their services.

IT revolution

The Indian banks are subject to tremendous pressures to perform as otherwise their very survival would be at stake. The application of IT and e-banking is becoming the order of the day with the banking system heading towards virtual banking.

Intense Competition

The RBI and Government of India kept banking industry open for the participants of private sector banks and foreign banks. The Indian banking sector was introduced to competition when, in accordance with the suggestions of the first Narasimham Committee, entry was deregulated and both domestic and foreign banks were allowed to expand their branch networks. Due to this lowered entry barriers many new players have entered the market such private banks, foreign banks, non banking finance companies, etc. The foreign banks and new private sector banks have spearhead the hi-tech revolution.

Privacy and Safety

Among the most important aspects of savings, i.e., safety, liquidity and profitability, safety is at the top most

priority. The areas which might endanger security in e-banking can be:

Credit risk

Liquidity, interest rate risk, market risks

Legal risk

Global banking

The impact of globalization becomes challenges for the domestic enterprises as they are bound to compete with global players. The numbers of Foreign Banks have become a major challenge for Nationalized and private sector banks.

Financial inclusion

Financial inclusion has become a necessity in today's business environment. Whatever is produced by business houses, that has to be under the check from various perspectives like environmental concerns, corporate governance, social and ethical issues. In India, RBI has initiated several measures to achieve greater financial inclusion, such as facilitating 'Basic savings bank deposit accounts' and GCCs for small deposits and credit.

4. Conclusion

The Banking sector in India has become stronger in terms of capital and the number of customers. It has become globally competitive and diverse aiming, at higher productivity and efficiency. Exposure to worldwide competition and deregulation in Indian financial sector has led to the emergence of better quality products and services. Reforms have changed the face of Indian banking and finance. The banking sector has improved manifolds in terms of Technology, Deregulation, Product & Services, Information Systems, Etc.

The pre and post liberalization era has witnessed various environmental changes which directly affects the aforesaid phenomena. It is evident that post liberalization era has spread new colors of growth in India, but simultaneously it has also posed some challenges. Banks have to adopt a holistic approach to fulfill the ever changing needs of customers and to grab a better market share. Development of sophisticated products with low cost technology is the key. This calls for in- depth analysis of customer needs the market and competitor trends. This analysis plays a very important role in devising new strategies, products and services. The better the banks understands their customers, the more successful they will be meeting their needs.

References

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