

Questions and Answers on
Electronics Clearing Services
ECS

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Electronics Clearing Services

ECS

- What is Electronic Clearing Service (ECS)?

It is a mode of electronic funds transfer from one bank account to another bank account using the services of a Clearing House.

Bulk transfers from one account to many accounts (ECS Credits).

Collection of amounts from many accounts to one account. (ECS Debits).

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- Types of ECS
- ECS (Credit) Dividend, Pension,
Interest , Salary
payment,
- Sponsor Bank, Beneficiary Bank
- ECS (Debits) House tax, Water tax
Telephone, Electricity

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- ▶ **Who can initiate an ECS (Credit) transaction?**
- ▶ ECS payments can be initiated by any institution (called ECS user) who have to make bulk or repetitive payments to a number of beneficiaries. They can initiate the transactions after registering themselves with an approved clearing house
- ▶ Consent of beneficiary is required, and Account details have to be obtained

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- ▶ **Can the Account Details be Changed?**
- ▶ YES
- ▶ **Who will communicate the beneficiaries' about the credit?**
- ▶ It is the responsibility of the ECS user to communicate to the beneficiary the details of credit that is being afforded to his account,
- ▶ **What are the advantages to the ultimate beneficiary?**
- ▶ No depositing the physical paper instruments.
- ▶ No risk of loss of instrument and fraudulent encashment.
- ▶ No delay in realisation of proceeds.

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- ▶ **How does the ECS Credit system work?**
- ▶ The ECS users intending to effect payments have to submit the data in a specified format to one of the approved clearing houses.
- ▶ The clearing house would debit the account of the ECS user through the account of the sponsor bank on the appointed day and credit the accounts of the recipient banks, for onward credit to the accounts of the ultimate beneficiaries.

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- **How does the scheme benefit the ECS user-like corporate bodies/ institutions?**
- Saves on administrative machinery for printing, dispatch and reconciliation.
- No loss of instruments in postal transit.
- Avoids fraudulent encashment.
- Ensuring credit on the designated date to beneficiaries' account.

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• What are the advantages to the banks?

- Get freed of paper handling.
- Paper handling also creates lot of pressure on banks as they have to encode the instruments, present them in clearing, monitor their return and follow up with the concerned bank and customers.
- In ECS banks simply get the payment particulars relating to their customers. All they need to do is to match the account particulars like name, a/c number and credit the proceeds
- Wherever the details do not match, they have to return it back, as per the procedure

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ECS What are the advantages to the ultimate beneficiary?

- No need going to the collection centres/banks
- No need to stand in long 'Q's for payment
- No tracking down of payments by last dates.
- The debits would be monitored by the ECS users
- **How can the customer track-down these payments?**
- Pass-books/statements given to the customers reflect the particulars of the transaction. Customers can match these entries with the advice received by them from the payment institution.

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- ▶ **How does the scheme benefit the ECS user-like corporate bodies/ institutions?**
- ▶ Saves on administrative machinery for collecting the cheques, monitoring their realisation and reconciliation
- ▶ Better cash management.
- ▶ Avoids chances of frauds due to fraudulent access to the paper instruments and encashment.
- ▶ Realise the payments on a single date instead of fractured receipt of payments.

THANKYOU....

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