



# Module-C Unit-9

## JAIIB PAPER-2

### **Principles and Practices of Banking (PPB)**



## JAIIB PPB Module C Unit 9: Technology Trends In Banking

### E-RUPI

- **E-RUPI was launched on 2nd August 2021 by the National Payments Corporation of India (NPCI).** E-RUPI is an innovative digital solution, and 'e-RUPI' is a seamless one-time payment mechanism.
- The users of the e-voucher can redeem the voucher at the merchants accepting e-RUPI without using a digital payments app, card or internet banking. **E-RUPI would be shared by organizations or Governments to the beneficiaries for a specific purpose or activity through SMS or QR code.**
- As of 31st January 2022, there are 16 Banks live on e-RUPI. **Even users without a smartphone can use e-RUPI because of its offline transaction feature.**
- **E-RUPI can be issued upto INR 10,000 per voucher. No charges are payable by e-RUPI beneficiaries for using e-RUPI. e-RUPI is distributed only in digital form.**

### Difference Between E-RUPI and UPI

Difference between e-RUPI and UPI	
e-RUPI	UPI
e-RUPI is one time cashless and contactless payment mechanism.	UPI is an application used for receipt or payment of money
e-RUPI is an e-voucher.	UPI is an application used for receipt or payment of money.
The Reserve Bank of India operates e-RUPI.	The National Payments Corporation of India operates UPI.
e-RUPI vouchers can be redeemed at service providers counters.	UPI is used for receipt or payment of money.

### Financial Technology

- **Fintech can be described as the use of technology to deliver financial solutions.** It aims to improve and automate the delivery and utilization of financial services. It simplifies financial transactions for consumers or businesses, making them more accessible and affordable.
- **The Fintech ecosystem (FE) consists of five elements that synergise to stimulate the economy,** enhance customer experience and promote social inclusion: **start-ups, technology firms, government, customers and traditional financial institutions like banks.**
- **Peer-to-peer (P2P) lending platforms, crowdfunding, blockchain technology, distributed ledgers technology, Big Data, smart contracts, Robo advisors, E-aggregators, and other major Fintech products and services are currently in use.**

### Benefits Of Financial Technology

The Fintech movement can transform the financial landscape, allowing consumers to choose from a broader range of options at competitive prices while also allowing financial institutions to improve efficiency through lower operational costs.

***Some benefits of fintech products that are helping Banks are:***

- Reduced Costs
- Reduced time to market
- Customer Services and Revenue
- World-class compliance and security
- Greater speed and convenience
- Innovative products
- Transparency of products

### **Regulatory Technology**

**RegTech or regulatory technology refers to technological solutions that streamline and improve regulatory processes.** RegTech is a technology system that assists a bank or any financial institution in managing regulatory compliance.

***RegTech can be used for the following broad purposes.***

- Regulatory Monitoring
- Regulatory Obligations
- Compliance Management
- Execution of Compliance.

RegTech companies are delivering solutions in Regulatory Reporting, Risk Management, Identity Management & Control, Compliance, and Transaction Monitoring.

### **Supervisory Technology**

- Supervisory technology or SupTech offers technological solutions that assist financial supervisory authorities in managing regulatory compliance.
- Supervisory agencies must ensure that all such rules and regulations are complied with by financial institutions. **SupTech provides technological tools to regulatory authorities to improve their supervisory efficiency through automation.**
- Reserve Bank of India has been using SupTech to collect and analyse data. **Some examples are Import Data Processing and Monitoring System (IDPMS), Export Data Processing and Monitoring System (EDPMS) and Central Repository of Information of Large Credits (CRILC).**

### **Social Media Banking**

- Social networking has become a new and crucial ability for everyone these days, including for those who don't know much about technology. Knowledge of various media allows users to make better use of these tools.

- Today's consumers are highly reliant on social media platforms such as Instagram, Facebook, LinkedIn, and Snapchat. Hence, banks must be active across accounts.
- Customers nowadays expect to be heard and answered through social media and receive the services they require. Instead of dealing with officials or bank managers directly, they should raise their expectations of banks via social media platforms.

### **Hashtag Banking**

Indian banks have started using the hashtag to provide services such as fund transfer, balance inquiry, prepaid mobile recharges etc., to their customers.

To participate in Hashtag Banking, **the customer has to follow his Bank on Twitter. Customers can send messages to the Bank, which are passed on to the Bank, to act on the hashtags sent by the customer.**

*Some examples of services offered using Hashtag banking are:*

- Banking services
- Credit card services
- FASTag services
- Loan Services
- Fixed Deposit services
- Block/Unblock card

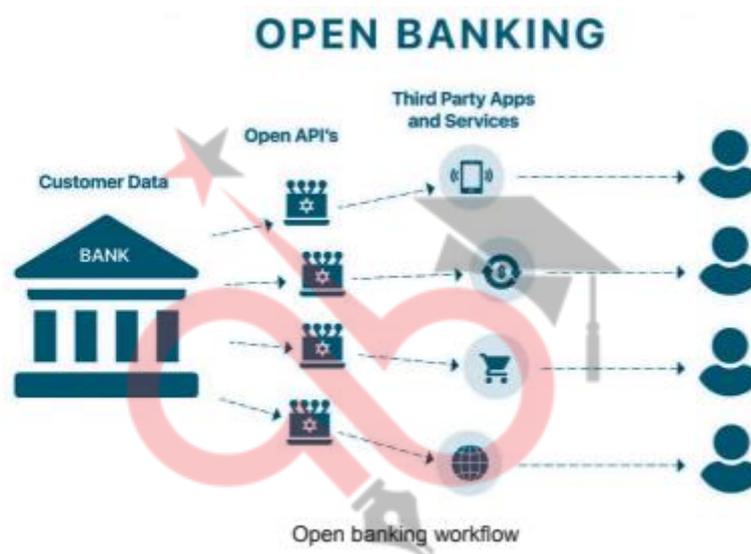
Whatever be the social media platform is being used, the ultimate transfer of funds happens through the usual payment system channels like NEFT, IMPS etc. More banks will launch Banking services on Social Media platforms like Twitter, WhatsApp, Facebook etc.

### **Account Aggregators**

- **An Account Aggregator (AA) is a type of RBI regulated entity (with an NBFC-AA license) that retrieves or collects information related to financial assets of a customer from the holders of such information (termed as Financial Information Providers (FIPs)) and aggregates, consolidates and presents it to the customers or specified users (termed as Financial Information Users (FIUs)).**
- **The transfer of such information is based on an explicit consent of the customer** and the response is envisaged to occur in real time. Data cannot be stored by the aggregator or used by it for any other purpose and shall be shared only with the regulated financial entities.
- AA framework assists in decision making required for provision of various financial services viz., **lending, loan monitoring, wealth management, personal finance management, etc.**, by eliminating paper trails.

### **Open Banking**

- **Banks and non-bank financial institutions use application programming interfaces (APIs), to provide third-party financial service providers with open access to consumer banking, transactional, and other financial data.**
- Application programming interface, or API, enables businesses to make the specific data and functionality of their applications available to external third-party developers, business partners etc.
- In Open banking, banks grant access to and control over their customers' personal and financial data to third-party service providers, often software startups and online financial service suppliers, under certain conditions. The third-party providers that provide APIs can then use the shared data. Customers typically need to provide consent before a bank allows its stakeholders to access their accounts.



### Risks Of Open Banking

- The potential for **severe hazards to financial privacy and the security of consumers' funds, as well as ensuing liabilities to financial institutions, exist because of open banking.**
- Open banking APIs are not without their security hazards, such as the possibility that a malicious third-party app will empty a customer's bank account without their knowledge. This would be a severe (and unlikely) threat to the system.
- Concerns that are more widespread would be **data breaches caused by inadequate security, hacking, or insider threats, which have become relatively common in the modern era, including at financial institutions, and will likely continue to be commonplace as more data is interconnected in more ways.**
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