A STUDY ON BANKING AND BANKING SECURITY

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ABSTRACT

Banking is an industry that handles cash, credit, and other financial transactions. Banks provide a safe place to store extra cash and credit. They offer savings accounts, certificates of deposit, and checking accounts. Banks use these deposits to make loans. These loans include home mortgages, business loans, and car loans. "Mobile banking apps will not be a primary target for fraudsters," The types of Banking are commercial banking, savings banking, online banking or e-banking, investment banking. The advantage of banking are Economies of Large Scale Operations, Spreading of Risk, Diversification on Deposits and Assets, Cheap Remittance Facilities, uniform rate of interest, proper use of capital. There are disadvantages like inefficient branches, Lack of Initiative, monopolistic tendencies, Adverse Linkage Effect. The methods that are used to secure our bank details are like Don't Give out Personal Information to Just Anyone, Avoid Clicking on Links and Unsure site, Shred Your Documents,. Don't Carry Your Social Security Card, Only Carry Credit Cards You Actually Need Daily Protect Your Mailbox, Use Two-Factor Authentication, Don't Use Public Wifi to Access Sensitive Data, Check Your Credit Report Regularly

KEY WORDS: Banking security, merits and demerit

INTRODUCTION

An asset pledged to guaranty the repayment of a loan, satisfaction of an obligation, or in compliance of an agreement. gives a lender or obligee a legal right of access to the pledged asset and to take their possession and title in case of default for a foreclosure sale. security researcher Rivner slightly disagrees. "Mobile banking apps will not be a primary target for fraudsters," he says. Instead, he believes mobile browsing will be more targeted in the coming year, since most mobile users continue to use their online banking sites to conduct banking functions.

Banking is an industry that handles cash, credit, and other financial transactions. Banks provide a safe place to store extra cash and credit. They offer savings accounts, certificates of deposit, and checking accounts. Banks use these deposits to make loans. These loans include home mortgages, business loans, and car loans.

Banking is one of the key drivers of the U.S. economy. It provides the liquidity needed for families and businesses to invest for the future. Bank loans and credit mean families don't have to save up before going to college or buying a house. Companies use loans to start hiring immediately to build for future demand and expansion.

Banks are a safe place to deposit excess cash. The Federal Deposit Insurance Corporation insures them. Banks also pay savers interest rates or a small percent of the deposit. Banks can turn every one of those saved dollars into $10. They are only required to keep 10 percent of each deposit on hand. That regulation is called the reserve requirement. Banks lend the other 90 percent out. They make money by charging higher interest rates on their loans than they pay for deposits.

TYPES OF BANKING

- Commercial banks provide services to private individuals and to businesses.
- Retail banking provides credit, deposit, and money management to individuals and families.
- Community banks are smaller than commercial banks. They concentrate on the local market. They provide more personalized service and build relationships with their customers.
- Internet banking provides these services via the world wide web. The sector is also called also called E-banking, online banking, and net banking. Most other banks now offer online services. There are many online-only banks. Since they have no branches, they can pass cost savings onto the consumer. Some of the best are Ally Bank, ING, Synchrony, and Discover.
- Savings and loans are specialized created to promote affordable homeownership.
- Credit unions are owned by their customers. This ownership structure allows them to provide low-cost and more personalized services. You must be a member of their field of membership to join. That could be employees of companies or schools or residents of a geographic region.
- Investment banking finds funding for corporations through initial public stock offerings or bonds. They also facilitate mergers and acquisitions. Third, they operate hedge funds for high net worth individuals. The largest U.S. investment banks are Bank of America, Merrill Lynch, Citi, Goldman Sachs, J.P. Morgan, and Morgan Stanley. Large European investment banks include Barclays Capital, Credit Suisse, Deutsche Bank, and UBS.

  After Lehman Brothers failed in 2008, investment banks became commercial banks. That allowed them to receive government bailout funds. In return, they must now adhere to the regulations in the Dodd-Frank Wall Street Reform Act.

- Merchant banking provides similar services for small businesses. They provide mezzanine financing, bridge financing, and corporate credit products.

- Shariah banking conforms to the Islamic prohibition against interest rates. Also, Islamic banks don’t lend to alcohol, tobacco, and gambling businesses. Borrowers profit-share with the lender instead of paying interest. Because of this, Islamic banks avoided the risky asset classes responsible for the 2008 financial crisis.

- Central Banks Are a Special Type of Bank. Banking wouldn't be able to supply liquidity without central banks. In the United States, that's the Federal Reserve. The Fed manages the money supply banks are allowed to lend. The Fed has four primary tools

ADVANTAGES

1. Economies of Large Scale Operations: The bank with a number of branches possesses huge financial resources and enjoys the benefits of large-scale operations,

(a) Highly trained and experienced staff is appointed which increases the efficiency of management,

(b) Division of labour is introduced in the banking operations which ensures greater economy in the working of the bank. Right persons are appointed at the right place and specialisation increases.

(c) Funds are made available liberally and at cheaper rates,

(d) Foreign exchange business is done economically,

(e) Large financial resources and wider geographical coverage increases public confidence in the banking system.

2. Spreading of Risk: The lesser risk and greater capacity to meet risks,

(a) There is geographical spreading and diversification of risks, the possibility of the failure of the of the bank is remote,

(b) The losses incurred by some branches may be offset by the profits earned by other branches.

(c) Large resources of branch banks increase their ability to face any crisis.

3. Economy in Cash Reserves: Under the branch banking system, a particular branch can operate without keeping large amounts of idle reserves. In time of the need, resources can be transferred from one branch to another.

4. Diversification on Deposits and Assets: There is greater diversification of both deposits and assets under branch banking system because of wider geographical coverage,

(a) Deposits are received from the areas where savings are in plenty,

(b) Loans are extended in those areas where funds are scarce and interest rates are high. The choice of securities and investments is larger in this system which increases the. safety and liquidity of funds.

5. Cheap Remittance Facilities: Bank branches are spread over the whole country, it is easier and cheaper to transfer funds from one place to another. Inter-branch indebtedness is more easily adjusted than inter-bank indebtedness.

6. Uniform Interest Rates: Mobility of capital increases, which in turn, brings about equality in interest rates. Funds are transferred from areas with excessive demand for money to areas with deficit demand for money. As a result, the uniform rate of interest prevails in the whole area; it is prevented from rising in the excessive demand area and from falling in the deficit demand area.

7. Proper Use of Capital: There is proper use of capital under the branch banking system. If a branch has excess reserves, but no opportunities for investment, it can transfer the resources to other branches which can make most profitable use of these resources.

8. Better Facilities to Customers: The customers get better and greater facilities under the branch banking system. It is because of the small number of customers per branch and the increased efficiency achieved through large scale operations.

9. Banking Facilities in Backward Areas: The banking facilities are not restricted to big cities. They can be extended to small towns and rural as well as underdeveloped areas,. Thus, this system helps in the development of backward regions of the country.

10. Effective Control: The Central bank than have a more efficient control over the banks because it has to deal only with few big banks and nor with each individual branch. This ensures better implementation of monetary policy.

DISADVANTAGES

1. Problem of Management: Under the branch banking system a number of difficulties as regards management, supervision and control arise:

(a) since the management of the bank gets concentrated at the head office, the managers can afford to be lax and indulgent in their duties and are often involved in serious irregularities while using the funds.

(b) Since the branch manager has to seek permission from the head office on each and every matter, this results in unnecessary delay and red- tapism in the banking business.

2. Lack of Initiative: Branch managers generally lack initiative on all-important matters; they cannot take independent decisions and have to wait for. The clearance signal from the head office.

3. Monopolistic Tendencies: Branch banking encourages monopolistic tendencies in the banking system. A few big banks dominate and control the whole banking system of the country through their branches. This can lead to the concentration of resources into a few hands.

4. Regional Imbalances: The financial resources collected in the smaller and backward regions are transferred to the bigger industrial centres. This encourages regional imbalances in the country.

5. Adverse Linkage Effect: The losses and weaknesses of some branches also have their effect on other branches of the bank.

6. Inefficient Branches: The weak and unprofitable branches continue to operate under the protection cover of the large and more profitable branches.

7. Other Defects:

(a) Preferential treatment is given to the branches near the head office,

(b) Higher interest rates are charged in the developed area to compensate for the lower rates charged in the backward areas,

(c) There is concentration and unhealthy competition among the branches of different banks in big cities

SECURITY METHODS TO PREVENT FROM BANK THEFT

1. Don't Give out Personal Information to Just Anyone

There are a lot of scammers and identity thieves out there who will pretend to be a debt collector, bank, charity or a local business in order to convince you to give out your social security number, street address, date of birth, or any information that they can use. They will call you, email you and send you mail so be diligent in reviewing any of the above communications.

2. Avoid Clicking on Links and Unsure site

Fraudsters are really good about attracting your attention through emails that look like they come from businesses or people you know (and don't assume just because you know the name of the person sending the email it's actually them—check the actual email address too).If something seems off about an email and they are asking you to click a link to an offer or action, don't click on that link. Instead, roll over the link with your mouse and you can see the destination URL that you will be sent to. This is a safer approach and can help you avoid malware, phishing scams or viruses to gather your data. If it turns out it's fake, you can let the business know so they warn others.

3. Shred Your Documents

Using a shredder can take extra time but that adds a layer of protection down the road. While many people are opting for email or text alerts for bill notifications, identity thieves still use dumpster-diving as a way to gather personal information.

4. Don't Carry Your Social Security Card

You rarely need to show the card, you just need to remember the number. One mistake of losing the card can lead to a lifetime of trouble. Keep your Social Security card in a safe place at home or in a deposit box.

5. Only Carry Credit Cards You Actually Need Daily

There's no need to carry around cards you rarely use. Minimize the risk of losing your cards by only having the ones you use on a regular basis.

6. Protect Your Mailbox

This old-school theft is still common today especially around tax return time when checks start showing up in the mail. If you can lock your mailbox do so or add a key lock if possible.You may also want to consider having smaller packages delivered to your work address so you receive them during the day versus having them left unattended on your porch. If you are going to be gone for awhile, consider placing a hold on your mail with the US Postal Service.

7. Monitor Your Online Accounts

If you haven't set up account notifications from the financial institutions with whom you do business, then do so. Staying up-to-date on changes to your accounts is important and a quick notification sent to your smart device can make all the difference in maintaining peace of mind. There are also plenty of products out there that provide credit and identity monitoring (Experian's CreditWorks is one of them).

8. Create Strong Passwords

Avoid using the same password across multiple sites as well. You can use password managers that are available or the suggested password features from your smartphone as well.

9. Use Two-Factor Authentication

This tool adds a layer of security to your online accounts in addition to your password. Two-factor authentication requires you to provide a second piece of proof to verify your identity which can mean entering a code sent to your smartphone or computer, and many institutions require it when customers want to change account details.

10. Don't Use Public Wifi to Access Sensitive Data

We all seem to want to be connected all the time, so using free public wi-fi is very tempting. It's not always safe though, hackers and others can set up their own free wifi networks and scrape your data as a result. Make sure the network you are connected to is secure and can be trusted. If you're not sure, then don't take the chance.

11. Check Your Credit Report Regularly

To ensure all the data is accurate and that nobody has opened up accounts under your name, make sure to check each of your credit reports at least yearly. You can get your Experian, Transunion, and Equifax credit reports for free at AnnualCreditReport.com.

CONCLUSION

Banks provide security and convenience for managing your money and sometimes allow you to make money by earning interest. Convenience and fees are two of the most important things to consider when choosing a bank.

Writing and depositing checks are perhaps the most fundamental ways to move money in and out of a checking account, but advancements in technology have added ATM and debit card transactions, ACH transfers, online bill pay and mobile transfers to the mix.

All banks have rules about how long it takes to access your deposits, how many debit card transactions you're allowed in a day, and how much cash you can withdraw from an ATM. Access to the balance in your checking account can also be limited by businesses such as gas stations and hotels that place holds on your funds when you pay with a debit card.