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Subject: Banking and Insurance

Topic: CONCEPT OF E-MONEY

CONCEPT OF E-MONEY

Broadly, electronic money is an electronic store of monetary value on a technical device. The definition of electronic money is becoming more scientific and specific with developments associated with it. The European Central Bank defines e-money in the following words. “E-money can be defined as amount of money value represented by a claim issued on a prepaid basis, stored in an electronic medium (card or computer) and accepted as a means of payment by undertakings other than the issuer” (ECB).

E money is a monetary value that is stored and transferred electronically through a variety of means – a mobile phone, tablet, contactless card (or smart cards), computer hard drive or servers. Electronic money need not necessarily involve bank accounts in transaction but acts as a prepaid bearer instrument. They are often used to execute small value transactions.

Different Systems of Electronic Money:

Electronic Money includes three different systems namely:

- Centralized Systems,
- Decentralized Systems, and
- Offline Anonymous Systems.

Centralized Systems:

There are many centralized systems that directly sell their e – currency to end users is Web Money, Pay Pal, Hub Culture Ven, and CashU but Liberty Reserve sells only via 3rd party digital currency exchangers.

Decentralized Systems:

Electronic Money includes some decentralized systems. They are: Bit coin, and Ripple Monetary System.

(i) Bit coin:- Bit coin is a Peer to Peer Electronic Money system with maximized inflation limit.

(ii) Ripple Monetary System:- Ripple Monetary system is a system that is developed to distribute electronic money system independent to local currency.

Offline Anonymous System:

Offline Anonymous System can be done 'offline'. In this electronic money system, the merchants do not need to have interaction with banks before receiving currency from the users. Instead of that, the merchants can collect spent money by users and deposits the money later to the bank. The merchant can deliver his storage media in bank for exchanging the electronic money to cash.

What is Electronic Money?

Scrip or money that is exchanged only through electronically is referred to as electronic money. Electronic Money is also referred as e – money, Electronic Cash, Digital Money, Electronic Currency, Digital Currency, e – currency, Digital Cash, and Cyber Currency. Electronic Money uses Internet, Digital Stored Value systems, and Computer Networks.

Some of the examples of electronic money are Direct Deposit, EFT (Electronic Funds Transfer), Virtual Currency, and Digital Gold Currency.

TYPES OF ELECTRONIC CURRENCIES:

There are two types of electronic currencies namely: Hard Electronic Currency and Soft Electronic Currency-

- Hard Electronic Currency does not allow reversing charges i.e. it supports only Non – Reversible transaction. The advantage of this type is that it reduces the operating cost of e – currency system.

- Soft Electronic Currency allows payment reversals. The payment is reversed only in case of dispute or fraud. The payment reversible time will be 72 hrs or even more. Some examples of this type are Credit Card and Pay Pal.

Electronic Money systems are developing day by day. Some of the developments are: it can be used with Secured Credit Cards for wide range facilities and the bank accounts that are linked can be used with an internet to exchange currency with Secure Micropayment system like Pay Pal.