

A Legal Overview of Electronic Banking in Uganda

B. M. Magaji

*Faculty of Law, Islamic University in Uganda
Main Campus, Mbale, Uganda*

Abstract

Electronic Banking in Uganda was introduced into commercial banking in Uganda in 1997. However, adoption by the banking class is put as only 39%. Despite the recent studies that have been carried out on banking and customers satisfaction few studies have been conducted to ascertain the satisfaction index of customers in electronic banking. This paper attempts to look at the legal and institutional framework for electronic banking in Uganda. It examines the impact of electronic banking to Uganda business environment. It highlights the advantages and disadvantages and concludes that despite the disadvantages it has embraced by the banking class and has improved the banking terrain in Uganda.

Keywords: *Legal overview, Electronic banking, Uganda*

Corresponding Author: **B. M. Magaji**

Electronic Banking

Electronic banking was introduced in commercial banks in Uganda as early as 1997, however, adoption by customers is only at 39%. Despite the recent studies that have been carried out on e-banking and customer satisfaction, few studies have been conducted to ascertain the relationship between c-banking and customer satisfaction in commercial banks with regard to satisfaction of customers with ATM, online banking and mobile banking.

In Dominion Trust Ltd Kirkwood¹, a banker is easy to be recognized than to be defined, then he said is thus very difficult to give a general definition of the word bank or banker because of the different functions performed by specialized banks. Then he gave an example savings banks generally do not issue cheque books but give pass books and normally the customers deposit is drawn on application. For merchant banks, the main function is to facilitate trade as accordingly they are heavily engaged in discounting bills and opening letters of credit. And because of this, any definition of the word bank or banker should be only be looked as a source of guide rather than an exhaustive one.

Meaning of E-Banking

E-banking has defined by a number of authors. This indicates that there is no common agreement on the definition of E-banking. Electronic banking, also known as electronic funds transfer (EFT), is simply the use of electronic means to transfer funds directly from one account to another, rather than by cheque or cash².

Basel Committee³ defines c-banking as the provision of retail and small value banking products and services through electronic channels. Such products and services can include deposit-taking, lending, account management, the provision of financial advice, electronic bill payment, and the provision of other electronic payment products and services such as electronic money.

Some studies define electronic banking to mean 24-hour access to cash through an automated teller machine (ATM) or Direct Deposit of paychecks into checking or savings accounts⁴ electronic fund transfer (EFT), uses computer and electronic technology in place of checks and other paper transactions. EFTs is initiated through devices like cards or codes that let you, or those you authorize, access your account. Many financial institutions use ATM or debit cards and Personal identification Numbers (PINs).

Electronic banking can be described as the umbrella term, it is used interchangeably when people refer to one or more forms or components of c-banking such as: Virtual banking, on-line banking, cyber-banking, net banking, interactive-banking, web-banking phone-banking, PC-banking, and remote electronic banking⁵.

The bank of Uganda⁶ equates c-banking with schemes of electronic payment. It defines electronic payment schemes as any electronic instrument device or system used for the

¹(1966) 2 QB 431

²Federal commission for consumers: electronic banking: retrieved on 13th may 2014 from www.ftc.gov/bcp/edu/pubs/consumer/credit/cre14

³Basle committee on banking supervision

⁴Federal trade commission electronic banking, retrieved on 13th may 2014 from <https://www.consumer.ftc>

⁵<https://www.aboulola.com/e-banking.pdf>

⁶The bank of Uganda, "electronic payment schemes and products guidelines," may 2006

purposes of facilitating payment transfers through internet and/or wireless communication networks, and by use of service delivery products such as electronic cards, electronic payment transfer systems, mobile banking, internet banking, automated teller machines, points of sale terminals, payment switches and any other type of electronic payment transfer system.

From the above definition, e-banking can be defined as the process by which bank's customers may access their accounts in order to perform banking transactions or obtain financial information using a variety of electronic distribution channels the common ones being the Internet, telephones, mobile phones, points of sale, personal computers and ATMs, without visiting brick-and mortar institutions.

Electronic fund transfer can be used to have your paycheck deposited directly into your bank or credit union checking account, withdraw money from your checking account from an ATM machine with a personal identification number (PIN), at your convenience, day or night, instruct your bank or credit union to automatically pay certain monthly bills from your account, such as your auto loan or your mortgage payment, have the bank or credit union transfer funds each month from your checking account to your mutual fund account, have your government social security benefits check or your tax refund deposited directly into your checking account, use a smart card with a prepaid amount of money embedded in it for use instead of cash at a pay phone, expressway road toll, or on college campuses at the library's photocopy machine or bookstores, use your computer and personal finance software to coordinate your total personal financial management process, integrating data and activities related to your income, spending, saving, investing, recordkeeping, bill-paying and taxes, along with basic financial analysis and decision making.

Forms of E-banking

E-banking exists in a variety of forms, which can be divided into various groups: consumer Electronic banking, corporate Electronic banking, interbank Electronic banking product and plastic card

Consumer Electronic Banking

This includes Automated Teller Machine (ATM), EFTPOS, Telephone, Mobile Banking, internet Banking, and Home/Office Banking

(a) Automated Teller Machine

An ATM machine may be considered a branch of a bank as it contains some of the main banking functions. Large routine transactions are performed with minimal staff intervention. Further the machine is designed to operate 24 hours. There are savings in staff costs and other overheads like rentals of branch premises. In addition to being cost effective, it is a prerequisite for staying in business. Banks have realized the benefit of entering into agreements to share each other's ATMs, instead of competing with each other to capture the ATM market. The ATMs of the various banks are connected to a switch network which communicates with the banks host⁷. Typical services ATMs include the followings; Statement ordering, Balance

⁷Aspect of electronic banking retrieved at 17th may,2014 from www.ibbm.org.my/pdf/DPO2%20on%20EFT.pdf

enquiries, Cheque ordering, Instructions for transfer between the cardholders accounts and Depositing cash and other payments. There are some services which are connected to ATMs by agreement between the bank and the service issuing company for example, energy recharge services (LUKU Services). 24 and phone recharge services using ATMs.

(b) Electronic Funds Transfer at Point of Sale (EFTPOS)

Electronic Fund Transfer at the Point of Sale is payment that enables a cardholder to pay for goods or service by using a debit card. The debit card is therefore passed through a terminal that reads the detail of cardholders account imprinted on the card's magnetic strip on the card. The retailer then enters the amount to be paid and cardholder confirms the transaction by entering his PIN. The retailers bank account is immediately credited with the amount and the cardholder's account is debited by the same amount⁸.

(c) Mobile Banking

Mobile banking refers to the use of a smart phone or other cellular device to perform online banking tasks while away from your home computer, such as monitoring account balances, transferring funds between accounts, bill payment and locating an ATM. For example in Uganda there are several mobile phone companies such as MTN, Airtel, Africell etc. that introduce electronic fund transfers as a simplified banking system. Mobile payments give financial services industry a huge opportunity of tapping the market on provision of convenient payment services. This is due to the fact that the mobile phone has the advantage of freedom, functionality, convenience and ease to use⁹

(d) Home Banking

Home banking is a service that enables a bank client to handle his accounts from a computer terminal at a place selected in advance, at home or in the office. The main features of home banking systems are the high level of security, comfort, simplicity of use, openness of the system, wide communication possibilities, networking, definition of users and their rights, automated data transmission and the option to define a combined signature specimen¹⁰. A home banking system usually consists of two parts: a bank computer program and a program in the client's computer. The bank program works as a communication server. It receives calls from clients, verifies their identity, receives data from them, authenticates digital signatures, generates digital receipts and sends data to clients¹¹.

(e) Internet Banking

Internet banking is conducted by completing bank transactions by directly accessing the bank through the Internet. Nowadays, Internet banking customers can access many different services online, which makes physical banks open even after office hours. In means of offline banking is becoming to be online banking while physical banks are not opened (out of office hours), so customers do not need to go to the banks or call them any more unless there is an issue that cannot be handled online¹².

⁸Urio, A.M.A, Aspects of banking & micro finance law

⁹Loundon, C.K & Traver, G.K., op.cit...,p.313

¹⁰Chavanova. A form of electronic banking. Retrieved from www.nbs.sk/-img/documents/BAITEC/BAI06-06/22-25pg3

¹¹Ibid

¹²Retrieved from <http://www.myclear.org.my/corporation/rentas/at> 17th may, 2014

Corporate E-banking

Corporate Electronic Banking (CEB) is a secure internet based service that provides corporate clients with access to online banking¹³, it provide the following services; speed in payment processing, access to critical account information for decision making, Access to information such as daily exchange rates for several currencies including major trading currencies, access to reports of all transactions processed by clients through the platform, availability of audit trail information of all user activities, processing of several payments in one bulk remittance transaction.

(a) Financial EDI

Electronic Data Interchange EDI is the process of exchanging information electronically. EDI enables companies to transmit routine business data such as invoices, product orders, and remittances electronically the purpose of EDI is to speed up the flow of dollars and data.¹⁴ EDI is an electronic bridge between banks and customers. It carries detailed trading data alongside *payment* information. Traditional paper-intensive communication is no longer cost effective or efficient

(b) Netting arrangement

Netting arrangements are an example of electronic data interchange. To illustrate, if Company A buys goods or services from Company B at a cost of RMI million whereas B buys goods or services from A that cost RM2 million, then the net flow is RM1 million from B to A. In a 18 netting arrangement, the parties involved make net settlements only at the end of the day credits and debits are summarized for the day to generate a single ledger entry¹⁵.

Interbank e-banking

Electronic funds transfers between banks are facilitated by two systems which are the RENTAS and SWIFT. (RENTAS) Real-time Electronic Transfer of Funds and Securities System provides multi-currency real-time gross settlement of interbank fund transfers, multi-currency debt securities settlement, and depository services for scrip less debt securities and MYRIUSD Payment versus Payment (PvP) settlement via USD CHATS (Clearing Housed Automated Transfer System) for its members¹⁶.

The SWIFT network enables users to transmit international payments, statements and other transactions associated with international finance to fellow users. Created initially by banks for banks, the network is now available to approved categories of non-bank institutions which currently include securities brokers and dealers, clearing and depository institutions and recognized exchanges for securities.

Advantages of E-Banking

In tradition banking the customer has to visit the bank in person to perform various banking operation such as account enquiry, funds transfer and cash withdrawal. But now days due to

¹³<http://www.ecobank.com/corporate>

¹⁴Chavanoa. A form of electronic banking.retrieved from www.nbs.sk/-img/documents/BAITEC/BAI06/22-25.pdpg3

¹⁵Aspect of electronic banking retrieved at 17th may,2014 from www.ibm.org.my/pdf/DPO2%20chapter%on%EFT.pdf.pg6

¹⁶Retrieved from <http://www/myclear.org.my/corporations/rentas/> at 17th may, 2014

advancement of ICT in banking sector customers can perform various banking operation anywhere. Sc) c-banking provides number of advantages for both banks and customers. Some of these advantages of c-banking banking but are not limited to, include:

E- Banking offers customers more convenience than you could get from a tradition bank: this is to mean an individual or customer is not hound by banker's hours'. Time is not wasted when you have work to do because you can do your offices banking without leaving the office. No matter where you are or what time it is, you can easily manage your money

Electronic Banking reduces workload on banks and enables banks to improve customer services, the latter has served as a relief to bankers in providing services to its customers. For example traditional banking a number of labor are required to meet expected demands by the customer, hut in electronic banking lesser bank tellers are needed in transaction, rather transaction are carried out via mobile phones, internet and ATMs. E-banking help banks to cut operating costs because they don't need human operators to keep the bank services in function all these can be done through electronic media

Environment friendly Internet banking is also environmentally friendly. Electronic transmissions require no paper, reduce vehicle traffic and are virtually pollution-free. They also eliminate the need for buildings and office equipment¹⁷. One's electronic banking accounting provides a room to view a number of cheques that one has written in a month. With this access it is easier to catch fraudulent activity in ones account before much of damage is caused to funds in the account

Disadvantages of E-Banking

Customary banking allows creation of a personal touch between a bank and its clients. A personal touch with a bank manager for example can enable the manager to change terms in your account since he/she has some discretion in case of any personal circumstantial change. It can include reversal of an undeserved service charge¹⁸. A customer needs access to a computer with internet being connected; which signifies that the access to a customers account is solely dependent on computer-based technology in the case of e-banking¹⁹. It is subject to the dependability of other computers and web server, which means that if these are faulty. A customer cannot have access to his/her account, it also means that a customer has to know how to use a computer before he/she can carry out a transaction²⁰.

Customers are obliged memories their PIN number and not required to carry PIN in the wallet or purse or to write it on the ATM card. Never write your PIN on the outside of a deposit slip, an envelope, or on a postcard. Take your ATM receipt after completing a transaction. Reconcile all ATM receipts with bank statements as soon as possible this s due to associated risks of c-banking. There is a group of people which consists of illiterate and older ones, who do not want to follow the technological trend and that they do not want to learn how to make use of IL. They would prefer the traditional banking way²¹.

¹⁷Koskosas 1. The pros and cons of internet banking: a short review pg. 7

¹⁸<http://bankingandsavings.com>

¹⁹See a discussion forum at <http://www.answerbag.com/g-view/269986>

²⁰See also emillian,P.,op.,cit.,p.3

²¹See khan, s.,op.cit.,p80

Other drawback is that governmental policies that guide e-banking operations across international borders are not efficient²². Another disadvantage is that an electronic bank carries along with it a number of risks which are examined in this work. The use of e-banking pose the legal challenges that threatening the growth of the use and increase the number of the costumers.

E-fraud, the use of e-banking technologies raises the main legal issue revolving around the applicability of the paper-based criminal law to punish offenders using electronic payment systems to steal customer's money from their accounts²³. An even more controversial legal issue in relation to fraud in e-banking, according to white²⁴, is how the losses arising from flaws in electronic payment systems would be distributed between a consumer and a financial institution.

Another issue, in the event of a dispute, is how a consumer will prove that he or she did not authorize a certain fraudulent transaction²⁵. The burden of proof seems to be on the one who avers.

What is an e-Payment System?

An e-payment system is a way of making transactions or paying for goods and services through an electronic medium, without the use of cheques or cash. It's also called an electronic payment system or online payment system.

According to Battacerje (2001) summarizes at all and defines it as an integrated system that can provide customers flexible. Convenient and inexpensive platform with integrated services of online personal banking products including online checking money marketing products, certificate of deposits, home mortgage, insurance, investment services and other related financial services

The electronic payment system has grown increasingly over the last decades due to the growing spread of internet-based banking and shopping. As the world advances more with technology development, we can see the rise of electronic payment systems and payment processing devices. As this increase, improve, and provide ever more secure online payment transactions the percentage of check and cash transactions will decrease.

Electronic Payment Methods

One of the most popular payment forms online are credit and debit cards. Besides them, there are also alternative payment methods, such as bank transfers, electronic wallets, smart cards or bit coin wallet (bit coin is the most popular crypto currency). E-payment methods could be classified into two areas, credit payment systems and cash payment:

²²See sulla,E., op.cit.,p.43

²³Lukumay.z (2012), Electronic banking, its legal basis in Tanzania . LAP LAMBERT academic publishing Gmbh & Co kg German p36

²⁴See white P.F., op.cit.,p.28

²⁵Ibid

1. Credit Payment System

Credit Card a form of the e-payment system which requires the use of the card issued by a financial institute to the cardholder for making payments online or through an electronic device, without the use of cash.

Still, one of the most popular c-payment methods are credit and debit card payments
E-wallet- A form of prepaid account that stores user's financial data, like debit and credit card information to make an online transaction easier.

Smart card - A plastic card with a microprocessor that can be loaded with funds to make transactions: also known as a chip card.

2. Cash Payment System

Direct debit - A financial transaction in which the account holder instructs the bank to collect a specific amount of money from his account electronically to pay for goods or services.

E-check -A digital version of an old paper check. It's an electronic transfer of money from a bank account, usually checking account, without the use of the paper check.

E-cash is a form of an electronic payment system, where a certain amount of money is stored on a client's device and made accessible for online transactions.

Stored-value card - A card with a certain amount of money that can be used to perform the transaction in the issuer store. A typical example of stored-value cards are gift cards.

Pros and Cons of Using an E-Payment System

Time savings

With electronic payment system you do not have to spend and waste a lot of time standing in lines of banks and post office and then your transaction would take hours or days to be done. Using c-payment system you can make funds transaction in few minutes with waste **of** no time.

Expenses control

Using electronic payment system would allow you to have your electronic wallet where all the expenses and transactions history is recorded on your account. So it is easy to control and manage your expenses with e-payment system rather than paying by cash while you have no control unless you keep a writing record of your daily expenses which is of course difficult.

Reduced risk of money lost

While electronic wallets are virtual it cannot be left somewhere or even robbed by someone. You just need to make sure you have a secure c-payment account and then you do not have to be worry to forget your virtual wallet somewhere or you be the victim of robbery. E-payment eliminates the security risks that come with handling cash money.

Low Transaction Costs

Using electronic payment system you will face no additional charges for making a cash payment. It can cost you money to get to store to purchase something and also checks postage can be costly too, On the other hand you probably know that paying through unattended payment terminal for internet or mobile bills cost customers high fees while electronic payment system would only cost 1% of the total amount fee in this kind of operations which is considerable. Generally there are small fees or sometime no fees for swiping your card and make a payment through your c-payment account online. This can save a lot of money spent on transaction fees for both regular users and business owners.

High Speed and increased Convenience

Traditional payment methods like cash and check cannot be used at any time on day or night while using electronic payment system you can pay for goods and services online at any time anywhere in the world as you wish so.

Customers do not have to spend time to get to the store or service provider and also they do not have to stand in lines to make payment. Users do not have to wait for check to access the fund they need to purchase anything. All the fund transfers can be performed at anytime, anywhere with high speed and in a few minutes without waste of time since all you need to have is access to the Internet.

Customer service

Since electronic payment services try to reach widest possible users they try to provide strong user interface. Using these services you always are able to ask a question about your account or issues you face from the support team. Customer support usually works 24 hour 7 days a week and you will get answer to your questions as soon as possible. Businesses who use electronic payment would also offer users refund in special cases so you do not have to be worry if you pay for something wrong.

Low spend on paper and postage

One of the advantages of electronic payment system is that it lowers costs for papers and lowers the cut of trees. The more payments are processed electronically, the less money and trees are spent on paper and postage.

Exclusive Advantages of Electronic Payment System for Businesses

Electronic payment systems offer many advantages to everyone who supply products or services, as well as the customer. Here is a list of exclusive advantages of electronic payment system gained by business owners while using the system.

Increased Sales

Electronic payment has become a successful alternative for traditional payment and it is increasingly becoming the preferred payment option for customer when they want to purchase goods or services. The number of people who carry cash and use it for shopping has decreased all over the world. So using c-payment system enables businesses and brands to make sales to the customer who has moved to electronic payments while they are taking over those customers that *are* still using traditional methods.

Using electronic payment system there would be no geographic or time limits, people can access online website and purchase any kind of product or service from anywhere and at any time. They do not need to wait in line to buy products **or** services instead they will use an electronic payment system. This would increase efficiency and encourage consumers to buy from your business more often.

Last Minute Deals

Last minute deals are considerable in using of electronic payment system. It happens when business owners throw cost-saving deals to encourage more customers. With electronic payment service on the site, a customer can grab a deal even at the last minute and this would cause sale increasing.

Ease of Adding Electronic Payment Service

You don't need any special knowledge or experience to add payments to your website if you own a brand or business. Even a non-technical person may implement it in minutes and start providing customers online payments and enjoy the advantages and increased sale.

Influences of Electronic Payment on Costumers

An online payment method may influence customers to purchase items or services on the website. Since the transaction is quick and easy, and it can be done via credit cards, buyers are going to grab the deal in most cases. So an electronic payment system can be very useful.

Credit Card Payments

With providing online payment services customers can use credit cards to make payments, even though they don't have money in their bank account. You can also break down the payment into several payments if your product or service is expensive. By this you will get the chance to increase your sale.

Instant Payment

If you use electronic payment system for selling items or services they are able to make the payment in few minutes and on the other hand you will receive it as fast.

Save Money

Electronic payment system work to significantly improve businesses and optimize workflow while it can save your business a lot of money by reducing expenses spent on time, work and papers. It also would prevent fraud and improve data accuracy so that you would be able to make efficient financial decisions.

CONS

Security Concerns

Although stringent measures such as symmetric encryption are in place to make e-payment safe and secure, it's still vulnerable to hacking. Fraudsters for instance use phishing attacks to trick unsuspecting users into providing the login details of their e-wallets which they capture and use to access the victims' personal and financial information. Inadequate authentication also ails epayment systems. Without superior identify verification measures like biometrics

and facial recognition, anyone can use another person's cards and e-wallets and get away without being caught. These security concerns may take some people reluctant to use e-payment systems

Disputed transaction

If someone uses your company's electronic money without your authorization, you would identify the unfamiliar charge and file a claim with your bank, online payment processor or Credit Card Company. Without sufficient information about the person who performed the transaction, though it can be difficult to win the claim and receive a refund

Increased Business Costs

The system comes with an increased need to protect sensitive financial information stored in a business's computer systems from unauthorized access. Enterprises within house e-payment systems must incur additional costs in procuring, installing and maintaining sophisticated payment security technologies

E-commerce fraud

If you follow the security rules, there shouldn't be such problems, but when a merchant chooses a payment system which is not highly secure, there is a risk of sensitive data breach which may cause identity theft.

The lack of anonymity

For most, it's not a problem at all, but you need to remember that some of your personal data is stored in the database of the payment system.

The need for internet access

As you may guess. If internet connection fails, it's impossible to complete a transaction, get to your online account, etc.

Conclusion

Basina on the arguments above, electronic payment systems have completely changed the banking terrain basing on the positives they have over any other type of payment system.

In regards to the extent of changing the banking laws, the aspect of forming a contract between a customer and a bank is paramount and it's being discussed below;

In an automated transaction,²⁶ a contract may be formed where an electronic agent performs an action required by law in order to form a contract or a contract may be formed by a party to the transaction using an electronic agent to enter into the contract, a party using an electronic agent to enter into a contract shall, subject to subsection (3), be bound by the terms of the contract irrespective of whether the party reviewed the actions of the electronic agent or the terms of the contract, a party interacting with an electronic agent to form a contract is not bound by the terms of the contract unless the terms are capable of being reviewed by a person representing that party before the formation of the contract, a contract shall not be formed under subsection (1) where a person interacts directly with the electronic agent of another

²⁶Section 13, electronic transactions Act

party and the electronic agent makes a material error when creating a data message unless, the other party notifies the natural person of the error as soon as practicable after he or she has learnt of the error, the electronic agent provides the natural person with an opportunity to prevent or correct the error, the party takes reasonable steps, including steps that conform to the instructions of the natural person to return any performance received, or, if instructed to do so, to destroy that performance; and the party has not used or received any material benefit or value from the performance received from the natural person.

The section 1 **Bills of Exchange Act**²⁷ explains that a bank is a body of persons whether incorporated or not who carry on the business of banking. However, under the case law in the case of **United dominions trust Limited v Kirk Wood**²⁸ Lord Denning said that a bank is characterized of the following; accept money and collect cheques from their customers and place them to their credit, honor cheques or order drawn on them by their customers when presented for payments and debt their customers accordingly, keep current accounts or something of the nature in their books.

Electronic Banking, means all of the Banks electronic banking services including internet Banking, Mobile Banking (WAP and USSD) the Mobile Banking Application and any updates that too Electronic Banking or Electronic Funds Transfer service available in Bank.

Automated Teller Machines. (ATM)

These are electronic terminals that let you bank almost virtually any time for customers to withdraw cash. make deposits or transfer funds between accounts. Since the introduction of the first cash dispensers 30 years ago. ATM technology has gradually become the electronic for foremost banks customers. They are 24 hours around the clock electronic cashiers which provides access into customers' accounts by use of ATM cards on the bank's ATM Machine located on site in all branch offices.

Uganda now has a good network of these ATM Machines. In almost important business towns which are also VISA electronic enabled and thus you can withdraw for your use locally. According to Moris. C. (2004) ATM has extended banking services to the remote areas depositing and withdrawing of funds can be carried out thus yielding positive results. Looking at the service range of ATM as reported by chartered Institute of bankers journal (1995) and Peter Wandri of daily monitor, include cash withdraw, school fees payments, balance inquiry, ordering of financial statement, topping up airtime.

Cente Mobile

Cente Mobile Is 24/7 full banking service that allows centenary bank customers to perform financial transactions and access banking information using their mobile phones anytime and anywhere. Here customers can see his balance, mini statement, fund transfer, airtime purchase and bill payment using phone. Benefits of this service to the customers include a 24 7 banking at your fingertips, conveniences allows transactions from anywhere, anytime simple to use, instant services received like Airtime, transfer of money.

²⁷Bills of exchange Act

²⁸United dominions trusts limited v kirk wood

SMS Banking

SMS banking use short text messages sent through the clients' mobile phone SMS text messages are used for both passive and active operations similarly with classic telephone banking. A client can automatically receive information about his account balance, the message is sent to the client immediately after certain operation is performed.

Direct Deposit

These let you authorize specific deposits like paychecks, social security checks and other benefits to your account on a regular basis. A customer may pre authorize direct withdraw so that recurring bills like insurance premises, mortgages, utility bills and gym membership are paid automatically.

Bank customers should also be cautious before they pre-authorize recurring withdraws to pay companies they are not familiar with, funds than bank accounts can be withdrawn in the bank. Therefore customers should make sure that direct recurring payments take place and for the right amount.

Mail Banking

Mail banking is another electronic banking service that makes it possible to communicate with the banks by electronic mail or e-mail. The most frequently used service is sending accounts settlements at agreed periodicity to the client's mailbox. E-mail is not used for operation that is more complex, payment and self-service zones. A self-service zone is fully automated alternative work place of a bank with terminals and devices that clients can use to get various bank services. It enables active and passive operations offered by the bank to be made without the presence of a bank employee. Devices are constructed for every easy use with simple instructive controls.

Personal Computer Banking

Personal computer banking helps customers to handle many transactions using their personal computers for example one may use your computer to request transfers between accounts and pay bills electronically. Customers can get a number of benefits that 24 hours availability of the services liable free and. no quarters.

Fees and Charges

Service quality attributes in e-banking industry are important since human- internet Interaction is the main service delivery and communication channel offering high quality services to satisfy consumers needs at lower costs are potential competitive advantages of e-banking.

E-banking has successfully reduced operating and administrative costs. Costs saving have helped e-based banks offer lower or no service fees and other higher interest rate on interest accounts than traditional banks.

Mobile Money. (E-wallet)

Mobile money services were first introduced in March 2009 currently there are various mobile money schemes in Uganda²⁹. The main regulatory concern for the bank of Uganda has been

²⁹Supervise financial institutions

to ensure the safety of customer's electronic value which they purchase with cash, from mobile money agents. Mobile money service providers (MMSP) are required to hold in an escrow account in the partial (SF1) supervised financial institution the equivalent of all the mobile money that has been issued to the customers and agents.

Current Mobile Money services being offered in Uganda

Domestic transfers (remittances)
Merchant payments enabling SME and corporate to receive payments
Statutory payments (taxes)
Bank payments salaries, wages
Micro loans and savings
Group wallets for SACCOS
Gross border
Mobile banking, transfers from Bank account to M. wallet
Government payments

Regulatory concerns! Mobile Money Risks

1. Protection of customers funds in the Mobile Money platform.
2. Addressing Anti-money laundry concerns and countering of financial of Terrorism.
3. Ensuring that all transactions carried out on the mobile money platform are traceable and accounts held at the banks are fully auditable-Breaking down the Escrow-account balances.

Replication of data held by the mobile money service provides at the licensed financial institution. Data backup arrangements and business continuity, Liquidity concerns, service interruptions, complaints handling Non exclusivity, Interoperability. We however agree with the above assertion and indeed electronic payment systems has completely changed the banking terrain and its applicable laws in Uganda as stated below Making transactions online comes with many advantages. Here is a list of Advantages of electronic payment system.

Time Savings

With electronic payment system you do not have to spend and waste a lot of time standing in lines of banks and post office and then your transaction would take hours or days to be done. Using payment system you can make funds transaction in few minutes with waste of no time.

Expenses Control

Manage expenses with e-payment system
Using electronic payment system would allow you to have your electronic wallet where all the expenses and transactions history is recorded on your account. Therefore, it is easy to control unless u keep a u riling record o[your daily expenses which is of course difficult.

Reduced Risk, of Money Lost

While electronic wallets are virtual it cannot be left somewhere or even robbed by someone. You just need to make sure you have a secure e-payment account and then -you do not have to be worried to forget your virtual wallet somewhere, or you be the victim of rubbery, e-payment eliminates the security risks that come with handling cash money.

Low Transaction Costs

Using electronic payment system you will face no additional charges for making cash payment. It call cost you money to get store to purchase something and also checks postage can be costly too. On the other hand you probably know that paying through unattended payment terminal for internet or mobile bills cost customers high fees while electronic payment system would only cost 1% of the total amount fee in this kind of operations which is considerable. Generally, there are small fees or sometime no fees for swiping your card and make a payment through your c-payment account online. This can save a lot of money spent on transaction fees for both regular users and business owner.

High speed and increased Convenience

Make Money Transactions Fast and Easy

Traditional payment methods like cash and check cannot be used at any time on day or night while using electronic payment system you can pay for goods and services online at any time anywhere in the world as you wish so. Customers do not have to spend time to get the store or service provider and also they do not have to stand in lines to make payment. Users do not have to wait for check to access the fund they need to purchase anything. All the fund transfers can be performed at anytime, anywhere with high speed and in a few minutes without waste of time since all you need to have is access to the internet.

Customer Service

Since electronic payment services try to reach widest possible users they try to provide strong user interface. Using these services you always are able to ask a question about your account or issues you face from the support team. Customer support usually works 24 hour 7 days a week and you will get answer to your questions as soon as possible. Businesses who use electronic payment would also offer users refund in special cased so you do not have to be worried if you pay for something wrong.

Low spend on paper and postage

One of the advantages of electronic payment system is that it lowers costs for papers and lowers the cut trees. The more payments are processed electronically, the less money and trees are spent on paper and postage.

Increased sales

Electronic payment has become successful alternative for traditional payment and it is increasingly becoming the preferred payment option for customer when they want to purchase goods or services. the number of people who carry cash and use it for chopping has decreased all over the world. So using e-payment system enables business and brands to make sales to the customers who have moved to electronic payments while they are taking over those customers that are still using traditional methods.

Using electronic payment system there would be no geographic or time limits, people can access online website and purchase any kind of product or service from anywhere and at any time. They do not need to wait in line to buy products or services instead they will use an electronic payment system. This would increase efficiency and encourage customers to buy from your business more often.

Last minute Deals

Increase your business deals with e-payment

Last minute deals are considerable in using of electronic payment system. It happens when business owners throw cost saving deals to encourage more customers. With electronic payment service on the site, a customer can grab a deal at the last minute and this would cause sale increasing.

Ease of Adding Electronic Payment Service

You don't need any special knowledge or experience to add payments to your website if you own a brand or business. Even a non-technical person may implement it in minutes and start providing customers online payments and enjoy the advantages and increased sale.

Influences of Electronic Payment on Customers

An online payment method may influence customers to purchase items or services on the website, since the transaction is quick and easy, and it can be done via credit cards, buyers are going to grab the deal in most cases. So an electronic payment system can be very useful.

Credit Card Payment

With providing online payment services customers can use credit cards to make payments, even though they don't have money in their bank account. You can also break down the payment into several payments in few minutes and on the other hand you will receive it as fast.

Save Money

Electronic payment system work to significantly improve business and optimize work flow while it can save your business a lot of money by reducing expenses spent time, work and papers. It also would prevent fraud and improve data accuracy so that you would be able to make efficient financial decisions. E-payments systems are made to facilitate the acceptance of electronic payments for on line transactions. With the growing popularity of online shopping, e payment systems became a must for online consumers- to make shopping and banking more convenient, it comes with many benefits, such as: *reaching* more clients from a More effective and efficient transactions- It's because transactions are made in seconds (with one —click. without wasting customer's time. It comes with speed and simplicity.

Convenience: Customers can pay for items on an e-commerce website at anytime and anywhere. They just need an internet connected device. As simple as that! Lower transaction cost and decreased technology costs. Expenses control for customers, as they can always check their virtual account where they can find the transaction history. Today it's easy to add payment to a website, so even a non-technical person may implement it in minutes and start processing online payments. Payments gateways and payment providers offer highly effective security and anti-f.

Electronic Payment System: It is pertinent to ensure that payment systems operate in a secure and efficient manner, a safe and efficient payment system helps to maintain a financial stability by preventing or containing systemic risks, in view of this, payment systems are being placed in the central bank's core functions so as to contribute to financial stability, support

open market operations as a monetary policy transmission mechanism, and to maintain confidence in the national monetary unit-in terms of its value (Monetary policy) and circulation (payment systems).

However, a number of safety and efficiency concerns have been arise regarding payment systems in Uganda. The concerns mainly relate to: the potential *for* fraud system failures; consumer protection issues and lack of licensing criteria for those who intend to enter the payment systems.

Electronic Payment Systems Policy: Seek to put a frame work to : facilitate the enactment of payment system law; specify the roles and responsibilities of all the payment systems stake holders; ensure safety of all payment systems in the country; foster consumer protection, enable increased access to electronic payment systems to reduce cash based payments , and promote innovations. It is important to note that the formulation of this policy has been informed by and also benefited from the input of the key payment systems stake holders and the IMF technical assistance missions.

Electronic payment system: Is one of the principal components of a country's monetary and financial system and is, therefore, crucial to a country's economic development, since almost all economic transactions involve some form of payment. The orderly and efficient functioning of the payment Systems contributes to the financial and economic stability, provides a platform for monetary policy activities by providing effective and efficient transmission of a monetary value and ensuring efficient and cost effective discharge of claims and liabilities arising out of economic transactions, and hence are partners.

Electronic payment systems³⁰ thus play a crucial role in a market economy, and central banks have always had a close interest in them as part of their responsibilities for monetary and financial stability. In light of this, Uganda provides a wide range of payment services to authorized financial institutions and the Uganda Government to facilitate the circulation of money in the economy.

Much as the E-banking idea has been unanimously appreciated, it also has some disadvantages and among them includes;

Legal Risk

This arises because of the services provided not following secure and legal ways of carrying out the functions. This may be in the event of obligation on the point of banker to maintain secrecy and confidentiality of customers.

Reputational Risk: This may arise when systems of products do not work as expected and cause wide spread to the public. Operational risk, this arises from deficiencies in system reliability or integrity of e- banking, they may arise due to flaw in system design implementation of e- banking and this requires a lot of money to set up such a system which is expensive.

³⁰ Financial institution Act

Transactional Risk: It arises from inadequate or the absence of measures to verify customers Transactions. Chances of money laundering can increase among people. It can be insecure and hence leading to being hacked. Since the nature of the system is not defined, it can end up not fulfilling the user's expectations.

Security and identity of theft concerns Online banking sites and mobile apps, and banks are designed to be secure. However, minimal systems are put in place in full proof and accounts can be hacked. Therefore, you need to change passwords so as protect your login information. Delay of service delivery and slow response. Much as the e-banking system is convenient, it's not faster it only saves people who operate it at their own convenient time. Limitation of withdraw and deposits. Access to financial data by someone else other than the customer himself there is no banker relationship. It limits scope of service.

Conclusion

Electronic banking in Uganda generally is in practice such as the mobile money, however there are no specific laws governing it hence making it to use general laws governing financial institutions, laws of contract and the law of equity intern lagging the development of e-banking behind in Uganda. However e-banking has been negatively affected by the internet hankers who break into people's accounts and transfer their money unlawfully³¹ for example on who had aided in hacking into Mohan's account and they transferred his money to another account. But still e- banking has solved number of problems in banking system which were faced by the society for example the slow services of human terrors lack of access to bank accounts during night time, risk of un confidentiality among others.