

Besides banks, insurance companies and mutual funds also resorting to ECS

India Inc takes to electronic clearance system to cut cost

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ELECTRONIC clearance system (ECS) have now emerged as a cost-cutting measure for Indian companies. ECS, a cheaper option for money transactions, is now gaining ground among non-financial companies as well, and the number is expected to grow 50 per cent by 2009-10.


Despite banks, insurance companies and mutual fund houses resorting to ECS even for small-ticket transactions to minimise their cost, they account for only 40 per cent of the total transactions by the India Inc, say industry experts.

There are only two companies that provide

third-party ECS transactions in the country - Billdesk and TechProcess Solutions. They hope to garner more business as companies are increasingly looking at rationalising costs by implementing ECS.

"The banking, financial services and insurance (BFSI) sector has accepted ECS, but the sectors that contribute to real economy like manufacturing, supply chain and non-financial companies are still doing transactions through cheques," said Bikramjit Sen, CEO, TechProcess Solutions. "For the companies that are transaction-intensive, where the transactions are in large number and of small size, adopting ECS would be cost-effective," says Sen.

RIGHT CHOICE



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According to him: "The cost of maintaining a post-dated cheque given by the customer availing any type

of loans or mutual funds is around Rs 10-20 vis a vis Rs 2 per ECS transaction."

M N Srinivasu, director, Billdesk, said the companies are surely looking at electronic clearance of their transactions as it is cost-effective as compared to sending cheques. His firm expects to cash in on the bleeding corporates desperate to cut costs by the fiscal end.

"Taking to ECS is on their mind but taking some immediate measures is what they need now," said Srinivasu.

Companies still pay by cheques to their distributors and traders, which is very heavy on their pockets. ECS is the system where the money transactions have to be routed

electronically. The Reserve Bank of India (RBI) has mandated to route transactions above Rs 1 crore electronically through real time gross system (RTGS). RTGS helps customers to electronically transfer money amounting to more than Rs 1 lakh on a real time basis.

Many insurance companies and mutual fund houses have come up with products with small ticket size EMI and SIPs due the ECS. "The cost of a distribution network and investing in collection process was huge and hence discouraged insurance companies to offer small ticket investment products," said Sen.