Electronic fund transfer systems

Electronic funds transfer systems (EFTS) were considered for several years to present significant cost savings opportunities to financial institutions. Ideally, their wide scale introduction and acceptance would cut down paper work and enhance the market shares of those participating. Retailers offering services provided by financial institutions would also benefit directly by reduced check costs and possibly by attracting new customers through the convenience of banking facilities at their locations.

For several years, reports of varied systems designs, their promises for acceptance and the favorable impact on their sponsors were widely circulated. However, more recently the pattern of comments has become less optimistic. Now several key areas of concern are emerging:

• What are the roles of financial institutions and retailers as EFT alters the types of locations and of services which they can provide?
• What is the role of government in providing services, particularly when the services might not be a natural monopoly?
• What are the technological impacts of systems which allow for a high degree of concentration of information regarding an individual and his transactions.
• What legal modifications must be enacted due to the consumerist, anti-trust, and institutional changes which are brought about by EFT?

The last few years have demonstrated that the design and development of systems to achieve EFT’s objectives may be the easiest part of EFT. Complexity arises because individuals and institutions are less willing to accept change than had originally been contemplated. Institutions often find more significant disruptions to their business activities than they had expected. Technological change is easier to design than to implement.

The National Commission on EFT, organized to review the societal ramifications of EFT, did not produce a report which could be easily implemented legislatively. Instead, there is still a significant polarization of interests coupled with diminished excitement about projects—most less successful than anyone had anticipated.
However, long term expectations are that certain phases of EFT still have significant promise:

- Automatic teller machine costs are declining rapidly and with more effective marketing, their installation will be more widespread.
- The automated clearing house had to achieve a stage of national interchange before it could truly have an impact on corporations. That has now been achieved.
- Designs of systems used at the point of sale still search for the formula which provides financial feasibility. Success here will be more difficult to achieve.

Meanwhile, financial institutions will explore other techniques, both technological, such as image retention and operational such as truncation, to reduce the costs of offering services. Retailers will make more extensive use of their internal point of sale systems for more economic transaction processing.