

## NON MAJOR ELECTIVE – II

### A) BANKING PRACTICES

#### **OBJECTIVES:**

- To promote an understanding of the basic concepts in banking
- To acquaint learners with the theoretical and legal concepts of banking in India
- To help them to attain the competencies required for a career in banking services.

#### UNIT - I

Banking – Meaning - Definition – Function of banking - Classification of Banks

#### UNIT - II

Definition of the terms Banker and Customer – differential relationship between Banker

and Customer – General and Special relationship.

#### UNIT - III

Cheques - Definition of a Cheque – Characteristics of Cheques – Marking – Honor and

Dishonor of Cheques.

#### UNIT - IV

Crossing of Cheques – significance – Endorsement – Types.

#### UNIT - V

Recent trends in Banking services – Modern services of Banks – ATM, Credit Card, debit card , green card

## UNIT – I

### BANKING

#### What Is a Bank?

A bank is a [financial institution](#) licensed to receive deposits and make loans. Banks may also provide financial services such as wealth management, currency exchange, and [safe deposit boxes](#). There are several different kinds of banks including retail banks, commercial or corporate banks, and investment banks. In most countries, banks are regulated by the national government or central bank

#### KEY Takeaways

A bank is a financial institution licensed to receive deposits and make loans.

There are several types of banks including retail, commercial, and investment banks.

In most countries, banks are regulated by the national government or central bank

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#### Understanding Banks

Banks are a very important part of the economy because they provide vital services for both consumers and businesses. As financial services providers, they give you a safe place to store your cash. Through a variety of account

types such as [checking and savings accounts](#), and [certificates of deposit](#) (CDs), you can conduct routine banking transactions like deposits, withdrawals, check writing, and bill payments. You can also save your money and earn interest on your investment. The money stored in most bank accounts is federally insured by the [Federal Deposit Insurance Corporation](#) (FDIC)

Banks also provide credit opportunities for people and corporations. The money you deposit at the bank—short-term cash—is used to lend to others for [long-term debt](#) such as car loans, credit cards, [mortgages](#), and other debt vehicles. This process helps create [liquidity](#) in the market—which creates money and keeps the supply going.

Just like any other business, the goal of a bank is to earn a [profit](#) for its owners. For most banks, the owners are their [shareholders](#). Banks do this by charging more interest on the loans and other debt they issue to borrowers than what they pay to people who use their savings vehicles. Using a simple example, a bank that pays 1% interest on savings accounts and charges 6% interest for loans earns a profit of 5% for its owners.

What is the meaning of banking?

Banking plays such a major role in channeling funds to borrowers with productive investment opportunities, this financial activity is important in ensuring that the financial system and the economy run smoothly and efficiently. As a result of different kinds of banks in existence nowadays, it would be difficult, or at least cumbersome, to formulate a definition of banking which connotes the diverse activities of all kinds of banks. Some of the definitions can be formulated here:

- 1: A person or company carrying on the business of receiving moneys, and collecting drafts, for customers subject to the obligation of honoring cheques

drawn upon them from time to time by the customers to the extent of the amounts available on the current accounts.

2: Chamber's Twentieth Century Dictionary defines a bank as an "institution for the keeping, lending and exchanging, etc of money.

3: According to Crowther, "The banker's business is to take the debts of other people to offer his own in exchange, and thereby create money." A similar definition of the meaning of Banking has been given by Kent who defines a bank as "an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to others for expenditure."

4: Sayers, on the other hand, gives a still more detailed definition of a bank thus: Ordinary banking business consists of changing cash for bank deposits and bank deposits for cash; transferring bank deposits from one person or corporation (one 'depositor') to another; giving bank deposit in exchange for bills of exchange, government bonds, the secured or unsecured promises of businessmen to repay, etc.

## ILLUSTRATING THE MEANING OF BANKING

A savings deposit held by one person can provide the funds that enable the bank to make a mortgage loan to another person. The bank has, in effect, transformed the savings deposit (an asset held by the depositor) into a mortgage loan (an asset held by the bank). Another way this process of asset transformation is described is to say that the bank "borrows short and lends long" because it makes long-term loans and funds them by issuing short-dated deposits.

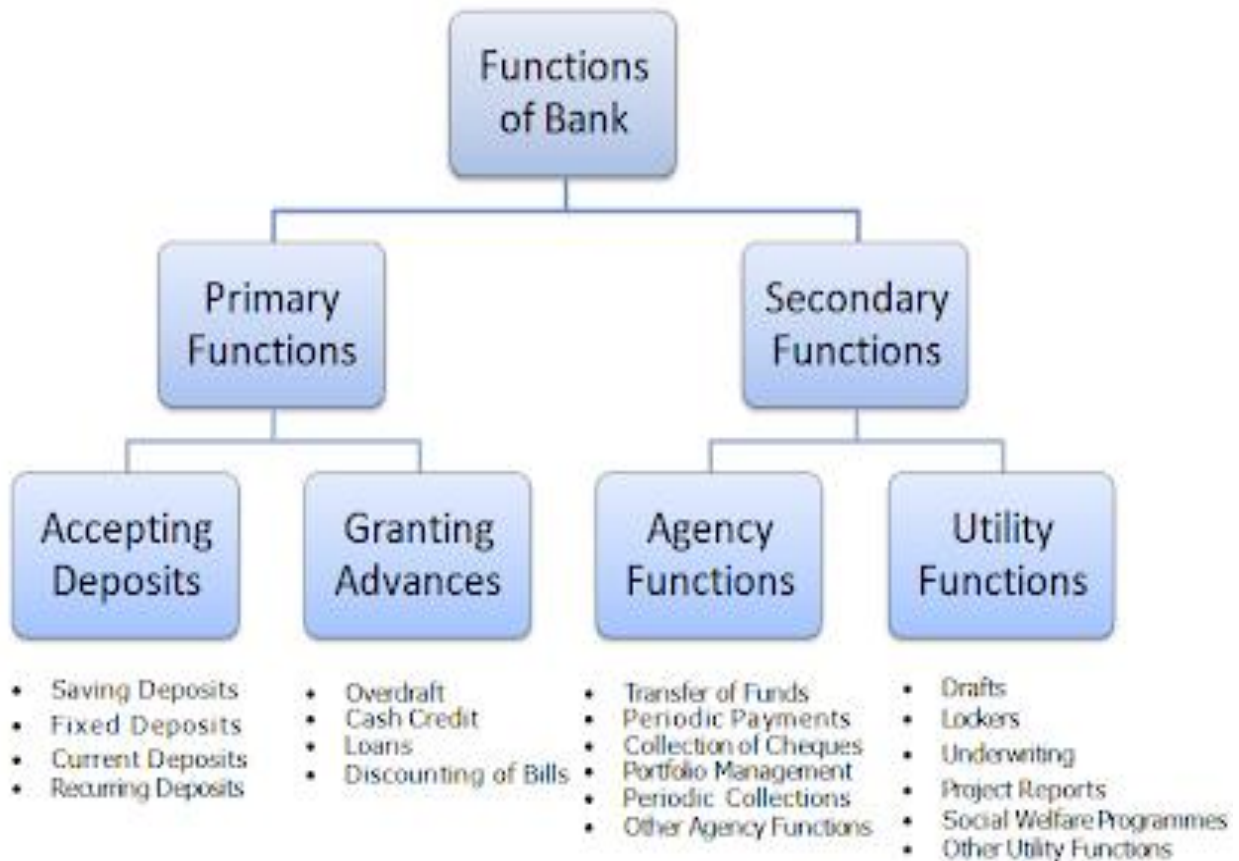
Thus a bank is an institution, which accepts deposits from the public and in turn advances loans by creating credit. It is different from other financial institutions in that they cannot create credit though they may be accepting deposits and making advances.

## DEFINITION OF BANKING

Walter Leaf defined the bank, “A bank is a person or corporation which holds itself out to receive from the public, deposits payable on demand by cheque”

The bank is a financial institution which deals with cash inflows, outflows, credits etc. It lends money to the needy, accepts the deposits, acts as intermediary between the lenders and the borrowers. They will not only deal wques, drafts or order or otherwise”.

- R P Kent defined, “Bank is a financial institution which acts as an intermediary and deals in loans and advances”[5].
- P A Samuelson defined, “Bank provides service to its clients and in turn receives perquisites in different forms”.
- W Hock defined, “Bank is such an institution which creates money by money only.”
- Sir John Pagette defined, “Bank is such a financial institution which collects money in current, savings or fixed deposit account; collects cheques as deposits and pays money from the depositors account through cheques.”
- Indian Company Law 1936 defines Bank as “a banking company which receives deposits through current account or any other forms and allows withdrawal through cheques or promissory notes” [5].
- Keeping in view different definitions of the bank, a bank can be defined as “the financial institution which borrows the money from the depositor and lends it to the needy with money but are also the producers of the money [2].



functions

These functions of banks are explained in following paragraphs of this article.

## A. Primary Functions of Banks ↓

The primary functions of a bank are also known as banking functions. They are the main functions of a bank.

These primary functions of banks are explained below.

### 1. Accepting Deposits

The bank collects deposits from the public. These deposits can be of different types, such as :-

### **Saving Deposits**

### **Fixed Deposits**

### **Current Deposits**

### **Recurring Deposits**

#### **a. Saving Deposits**

This type of deposits encourages saving habit among the public. The rate of interest is low. At present it is about 4% p.a. Withdrawals of deposits are allowed subject to certain restrictions. This account is suitable to salary and wage earners. This account can be opened in single name or in joint names.

#### **b. Fixed Deposits**

Lump sum amount is deposited at one time for a specific period. Higher rate of interest is paid, which varies with the period of deposit. Withdrawals are not allowed before the expiry of the period. Those who have surplus funds go for fixed deposit.

#### **c. Current Deposits**

This type of account is operated by businessmen. Withdrawals are freely allowed. No interest is paid. In fact, there are service charges. The account holders can get the benefit of overdraft facility.

## **d. Recurring Deposits**

This type of account is operated by salaried persons and petty traders. A certain sum of money is periodically deposited into the bank. Withdrawals are permitted only after the expiry of certain period. A higher rate of interest is paid.

## **2. Granting of Loans and Advances**

The bank advances loans to the business community and other members of the public. The rate charged is higher than what it pays on deposits. The difference in the interest rates (lending rate and the deposit rate) is its profit.

The types of bank loans and advances are :-

### **Overdraft**

### **Cash Credits**

### **Loans**

### **Discounting of Bill of Exchange**

#### **a. Overdraft**

This type of advances are given to current account holders. No separate account is maintained. All entries are made in the current account. A certain amount is sanctioned as overdraft which can be withdrawn within a certain period of time say three months or so. Interest is charged on actual amount



withdrawn. An overdraft facility is granted against a collateral security. It is sanctioned to businessman and firms.

## **b. Cash Credits**

The client is allowed cash credit upto a specific limit fixed in advance. It can be given to current account holders as well as to others who do not have an account with bank. Separate cash credit account is maintained. Interest is charged on the amount withdrawn in excess of limit. The cash credit is given against the security of tangible assets and / or guarantees. The advance is given for a longer period and a larger amount of loan is sanctioned than that of overdraft.

## **C. LOANS**

It is normally for short term say a period of one year or medium term say a period of five years. Now-a-days, banks do lend money for long term. Repayment of money can be in the form of installments spread over a period of time or in a lumpsum amount. Interest is charged on the actual amount sanctioned, whether withdrawn or not. The rate of interest may be slightly lower than what is charged on overdrafts and cash credits. Loans are normally secured against tangible assets of the company.

#### **d. Discounting of Bill of Exchange**

The bank can advance money by discounting or by purchasing bills of exchange both domestic and foreign bills. The bank pays the bill amount to the drawer or the beneficiary of the bill by deducting usual discount charges. On maturity, the bill is presented to the drawee or acceptor of the bill and the amount is collected.

#### **B. Secondary Functions of Banks ↓**

The bank performs a number of secondary functions, also called as non-banking functions.

These important secondary functions of banks are explained below.

#### **1. Agency Functions**

The bank acts as an agent of its customers. The bank performs a number of agency functions which includes :-

Transfer of Funds

Collection of Cheques

Periodic Payments

Portfolio Management

Periodic Collections

## Other Agency Functions

### **a. Transfer of Funds**

The bank transfer funds from one branch to another or from one place to another.

### **b. Collection of Cheques**

The bank collects the money of the cheques through clearing section of its customers. The bank also collects money of the bills of exchange.

### **c. Periodic Payments**

On standing instructions of the client, the bank makes periodic payments in respect of electricity bills, rent, etc.

### **d. Portfolio Management**

The banks also undertakes to purchase and sell the shares and debentures on behalf of the clients and accordingly debits or credits the account. This facility is called portfolio management.

## **E . PERIODIC COLLECTIONS**

The bank collects salary, pension, dividend and such other periodic collections on behalf of the client.

## **f. Other Agency Functions**

They act as trustees, executors, advisers and administrators on behalf of its clients. They act as representatives of clients to deal with other banks and institutions.

## **2. General Utility Functions**

The bank also performs general utility functions, such as :-

Issue of Drafts, Letter of Credits, etc.

Locker Facility

Underwriting of Shares

Dealing in Foreign Exchange

Project Reports

Social Welfare Programmes

Other Utility Functions

### **a. Issue of Drafts and Letter of Credits**

Banks issue drafts for transferring money from one place to another. It also issues letter of credit, especially in case of, import trade. It also issues travellers' cheques.

### **b. Locker Facility**

The bank provides a locker facility for the safe custody of valuable documents, gold ornaments and other valuables.

### **c. Underwriting of Shares**

The bank underwrites shares and debentures through its merchant banking division.

### **d. Dealing in Foreign Exchange**

The commercial banks are allowed by RBI to deal in foreign exchange.

### **e. Project Reports**

The bank may also undertake to prepare project reports on behalf of its clients.

#### **f. Social Welfare Programmes**

It undertakes social welfare programmes, such as adult literacy programmes, public welfare campaigns, etc.

#### **g. Other Utility Functions**

It acts as a referee to financial standing of customers. It collects creditworthiness information about clients of its customers. It provides market information to its customers, etc. It provides travellers' cheque facility.

### **Classification of banks**

**Commercial Banks** • Undertakes all kinds of ordinary banking business. • Provides money and credit for commercial and trade activities. • Receive short and medium term deposits from public and grant short term loans and advances. • Supply working capital to industries. • Discount internal and foreign bills. • They provide agency services like collection of cheques, dividends, interest on investments, issue of drafts, letter of credit, travelers' cheque, investment advisory services, etc.

**Industrial Banks or Financial Institutions** • Provides loans and fixed capital to industries concerns. • Provide long- term loans and credits for periods varying 5 – 15 years for industries to acquire fixed assets. • They

Finance infrastructural developmental activities like construction of transport facilities, building of power supply stations, etc.

**Exchange Banks ( authorized dealers in foreign exchange)** • Deal in foreign bills of exchange import and export of bullion. • Do incidental services like opening of letters of credit, issue of Foreign currency Drafts and Travelers' cheque , supply of information about foreign customers. • Provide credit and loans and also accept Deposits in Foreign currency. • Require huge capital and trained staff. • Maintain branches in foreign countries. • As per Foreign Exchange Regulation Act banks dealing in Foreign Exchange require permission from RBI

**Co-operative banks** • Co-operative principles of mutual help and assistance. • Grant short term loans to agriculturalist.

**Land Mortgage Banks** (presently known as Agricultural and rural developmental banks) • Agriculture Development banks. • Supply Long term loans for a period of 15 years. • Grant loan for permanent improvements in agricultural lands. • Create negotiable bonds out of real estate like land, building , etc. • They raise funds by floating debentures and by borrowing from Government.

## Unit – ii

Definition of the term banker and customer

## Definition of a 'BANKER'

- The Banking Regulations Act (B R Act) 1949 does not define the term 'banker' but defines what banking is?
- As per Sec.5 (b) of the B R Act "Banking' means accepting, for the purpose of lending or investment, of deposits of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise."



# Who is a 'Customer'?

- The term Customer has not been defined by any act.
- The word 'customer' has been derived from the word 'custom', which means a 'habit or tendency' to-do certain things in a regular or a particular manner's.
- The term 'customer' is used only with respect to the branch, where the account is maintained. He cannot be treated as a 'customer' for other branches of the same bank.

## **DIFFERENTIAL RELATIONSHIP BETWEEN BANKER AND A CUSTOMER**

### Banker-Customer Relationship

The relationship between banker and customer is mainly that of a debtor and creditor. However, they also share other relationships. Some of the important relationships they share are depicted below. The banker-customer relationship is that of a:

Debtor and Creditor,

Pledger and Pledgee,

Licensor and Licensee,  
Bailor and Bailee,  
Hypothecator and Hypothecatee,  
Trustee and Beneficiary,  
Agent and Principal,  
Advisor and Client, and  
Other miscellaneous relationships.

Discussed below are important banker-customer relationships.

## 1. Relationship of Debtor and Creditor

When a customer opens an account with a bank and if the account has a credit balance, then the relationship is that of debtor (banker / bank) and creditor (customer).

In case of savings / fixed deposit / current account (with credit balance), the banker is the debtor, and the customer is the creditor. This is because the banker owes money to the customer. The customer has the right to demand back his money whenever he wants it from the banker, and the banker must repay the balance to the customer.

In case of loan / advance accounts, banker is the creditor, and the customer is the debtor because the customer owes money to the banker. The banker can demand the repayment of loan / advance on the due date, and the customer has to repay the debt.

A customer remains a creditor until there is credit balance in his account with the banker. A customer (creditor) does not get any charge over the assets of the banker (debtor). The customer's status is that of an unsecured creditor of the banker.

The debtor-creditor relationship of banker and customer differs from other commercial debts in the following ways:

The creditor (the customer) must demand payment. On his own, the debtor (banker) will not repay the debt. However, in case of fixed deposits, the bank must inform a customer about maturity.

The creditor must demand the payment at the right time and place. The depositor or creditor must demand the payment at the branch of the bank, where he has opened the account. However, today, some banks allow payment at all their branches and ATM centres. The depositor must demand the payment at the right time (during the working hours) and on the date of maturity in the case of fixed deposits. Today, banks also allow pre-mature withdrawals.

The creditor must make the demand for payment in a proper manner. The demand must be in form of cheques; withdrawal slips, or pay order. Now-a-days, banks allow e-banking, ATM, mobile-banking, etc.

## 2. Relationship of Pledger and Pledgee

The relationship between customer and banker can be that of Pledger and Pledgee. This happens when customer pledges (promises) certain assets or security with the bank in order to get a loan. In this case, the customer becomes the Pledger, and the bank becomes the Pledgee. Under this agreement, the assets or security will remain with the bank until a customer repays the loan.

### **3. Relationship of Licensor and Licensee**

The relationship between banker and customer can be that of a Licensor and Licensee. This happens when the banker gives a safe deposit locker to the customer. So, the banker will become the Licensor, and the customer will become the Licensee.

### **4. Relationship of Bailor and Bailee**

The relationship between banker and customer can be that of Bailor and Bailee.

Bailment is a contract for delivering goods by one party to another to be held in trust for a specific period and returned when the purpose is ended.

Bailor is the party that delivers property to another.

Bailee is the party to whom the property is delivered.

So, when a customer gives a sealed box to the bank for safe keeping, the customer became the bailor, and the bank became the bailee.

### **5. Relationship of Hypothecator and Hypothecatee**

The relationship between customer and banker can be that of Hypothecator and Hypothecatee. This happens when the customer hypothecates (pledges) certain movable or non-movable property or assets with the banker in order to get a loan. In this case, the customer became the Hypothecator, and the Banker became the Hypothecatee.

## 6. Relationship of Trustee and Beneficiary

A trustee holds property for the beneficiary, and the profit earned from this property belongs to the beneficiary. If the customer deposits securities or valuables with the banker for safe custody, banker becomes a trustee of his customer. The customer is the beneficiary so the ownership remains with the customer.

## 7. Relationship of Agent and Principal

The banker acts as an agent of the customer (principal) by providing the following agency services:

Buying and selling securities on his behalf,

Collection of cheques, dividends, bills or promissory notes on his behalf, and

Acting as a trustee, attorney, executor, correspondent or representative of a customer.

Banker as an agent performs many other functions such as payment of insurance premium, electricity and gas bills, handling tax problems, etc.

## 8. Relationship of Advisor and Client

When a customer invests in securities, the banker acts as an advisor. The advice can be given officially or unofficially. While giving advice the banker has to take maximum care and caution. Here, the banker is an Advisor, and the customer is a Client.

## **GENERAL AND SPECIAL RELATIONSHIP**

### **GENERAL RELATIONSHIP**

#### **DEBTOR- CREDITOR**

#### **CREDITOR – DEBITOR**

## **Special Relationship**

- As a Guarantor
  - Banks give guarantee on behalf of their customers and enter in to their shoes.
  - Guarantee is a contingent (conditional) contract.
  - As per sec 31, of Indian contract Act, guarantee is a “contingent contract .”

## **Special Relationship**

- Agent and Principal
  - Sec.182 of ‘The Indian Contract Act, 1872’ defines “an agent” as a person employed to do any act for another or to represent another in dealings with third persons.
  - The person for whom such act is done or who is so represented is called “the Principal”.
  - Banks collect cheques, bills, and makes payment to various authorities viz., rent, telephone bills, insurance premium etc., on behalf of customers

## **Special Relationship**

- As a Custodian
  - A custodian is a person who acts as a caretaker of some thing.
  - Banks take legal responsibility for a customer's securities.
  - While opening a Dmat account bank becomes a custodian.



## Special Relationship

- As a Guarantor
  - Banks give guarantee on behalf of their customers and enter in to their shoes.
  - Guarantee is a contingent (conditional) contract.
  - As per sec 31, of Indian contract Act, guarantee is a “contingent contract .”

## UNIT – III

### **CHEQUES**

A Cheque is a document which orders a bank to pay a particular amount of money from a person's account to another individual's or company's account in whose name the cheque has been made or issued. The cheque is utilised to make safe, secure and convenient payments. It serves as a secure option since hard cash is not involved during the transfer process; hence the fear of loss or theft is minimised.

There are different modes of financial payments which are successfully used by individuals, firms and corporate organisations. Out of these varied options, a cheque does act as an important negotiable instrument, which can also be transferred by simple delivery options.

#### **Essentials of a Cheque**

There are certain essentials related to a cheque which should be known and understood before using this payment mode for [money transfer](#). Some of the important pointers related to a cheque are:

- A cheque is an unconditional order.
- A cheque is always drawn on a particular Bank.
- Signature on exchequer is a mandate and only by the maker.
- The amount is always a certain sum of money of one's account.
- A cheque is always payable on demand.
- A cheque's payment is always in cash.
- This cash amount is to be paid to the person mentioned there in, or order, or the bearer.

#### **Number of Parties involved with a Cheque**

Under the cheque mode of fund payment, there are three parties which are involved for on-track movement of money through a written paper source.

### **a) Drawer or Maker**

He/she is the customer or account holder who issues the cheque.

### **b) Drawee**

It is basically the bank on which the cheque is drawn and is called the “Drawee”. Always remember **that a cheque is always drawn on a particular banker.**

### **c) Payee**

The individual who is named in the cheque for getting the payment is known as the “Payee”. Interestingly, the drawer and the payee can be the same individual in a particular case.

## **Definition of a cheque**

Cheque is an instrument in writing containing an unconditional order, addressed to a banker, sign by the person who has deposited money with the banker, requiring him to pay on demand a certain sum of money only to or to the order of certain person or to the bearer of instrument."

## **What is a Cheque ? Meaning ↓**

Cheque is an important negotiable instrument which can be transferred by mere hand delivery. Cheque is used to make safe and convenient payment. It is less risky and the danger of loss is minimised.

## **Characteristics of cheque**

### **Essential characteristics of a cheque**

If one takes a close look at the definition of a cheque, it becomes clear that a cheque has the following 10 essential elements or characteristics.

1. It must be in writing: A cheque must be in writing. An oral order to pay does not constitute a cheque.

2. It should be drawn on banker: It is always drawn on a specified banker. A cheque can be drawn on a bank where the drawer has an account, saving bank, or current.

3. It contains an unconditional order to pay: A cheque cannot be drawn so as to be payable conditionally. The drawer's order to the drawee bank must be unconditional and should not make the cheque payable dependent on a contingency. A conditional cheque shall be invalid.

. The check must have an order to pay a certain sum: The cheque should contain an order to pay a certain sum of money only. If a cheque is drawn to do something in addition to, or other than to pay money, it cannot be a cheque. For example, if a cheque contains 'Pay USD 500 and a TV worth USD 500 to A' it is not a cheque.

5. It should be signed by the drawer and should be dated: A cheque does not carry any validity unless signed by the original drawer. It should be dated as well.

6. It is payable on demand: A cheque is always payable on demand.

7. Validity: A cheque is normally valid for six months from the date it bears. Thereafter it is termed as stale cheque. A post-dated or antedated cheque will not be invalid. In both cases, the validity of the cheque is presumed to commence from the date mentioned on it.

8. It may be payable to the drawer himself: Cheques may be payable to the drawer himself/herself. It may be drawn payable to bearer on demand unlike a bill or a pro-note.

9. Banker is liable only to the drawer: The banker on whom the cheque is drawn shall be liable only to the drawer. A holder or bearer has no remedy against the banker if a cheque is dishonored.

10. It does not require acceptance and stamp: Unlike a bill of exchange, a cheque does not require acceptance on part of the drawee. There is, however, a custom among banks to mark cheques as 'good' for the purpose of clearance. But this marking is not an acceptance. Similarly, no revenue stamp is required to be affixed on cheques.

## **Marking**

The Banker, in whose favor the cheque has been crossed specially. Marking or certification is a method adopted when the paying banker verifies the customer's account and indicates thereon that there are enough funds in his account to honor that cheque.

### **What is marking in banking?**

Signed by an authorized bank official. The legal effect of such marking. Has been judicially stated to be to give the cheque additional currency. By showing on the face that it is drawn in good faith on funds, sufficient. To meet its payment and by adding to the credit of the drawer that of.

## **Honor and dishonor of cheque**

### **Honor of cheques**

Cheque is by far one of the important negotiable instruments. It is frequently used by the people and business community in the course of their personal and business transactions. The essential requisites of

cheque are as under 16:

**A) Must be in Writing –**

The cheque may be scribed by hand by using ink or ballpoint pen, typed or it may even be printed. However the customer should not make use of pencil to fill up the cheque form. Even though other columns may be permitted to be filled up in hand or printed or typed, the signatures should be made in ink by the drawer.

**B) Must be Unconditional –**

The order to pay the amount must be absolute and unconditional. If any condition is imposed to pay the amount to the holder of the cheque then it will not be considered to be a valid cheque. A cheque made payable on the happening of some contingent event is void ab-initio.

**C) Must be Drawn on a Specified Banker –**

For a cheque to be validly recognized under law it must be drawn on a specified banker. If there is no mention in the cheque about the banker it would not be a valid cheque. In addition to it, it must contain mention all the three parties i.e. Drawer, Drawee and Payee.

**D) Certain Sum of Money –**

It is one of the essential requirements of the cheque that it must be payable in terms of money and money only. If not in terms of money but some other quantifiable units then it will not be a valid one. Also the sum mentioned in it must be certain and quantified exactly.

**E) Certain Payee –**

The parties of the Cheque must be certain and not vague like “wife of Mr. Ashok”. There are three parties of the cheque i.e. Drawer, 16 Supra Note 12, at 27.- 54 -Drawer and Payee. In a valid Cheque the names of all three must be certain and specific. It must contain an order, which must be unconditional.

## **F) Date –**

A cheque must be signed by the drawer with date otherwise it would not be a valid cheque. The date on which the cheque is drawn must be specific because as per the guidelines of Reserve Bank of India, cheque is valid for presentment only within three months from

the date on which it is drawn. 3.3.1 Aspect of Negotiability In accordance with Section 5 and 6 of the Indian Negotiable Instruments Act, 1881, cheques are regarded as negotiable. A study of the cheque, thus, requires a study of the negotiable instrument. An

instrument, to be negotiable must conform to the following requirements:

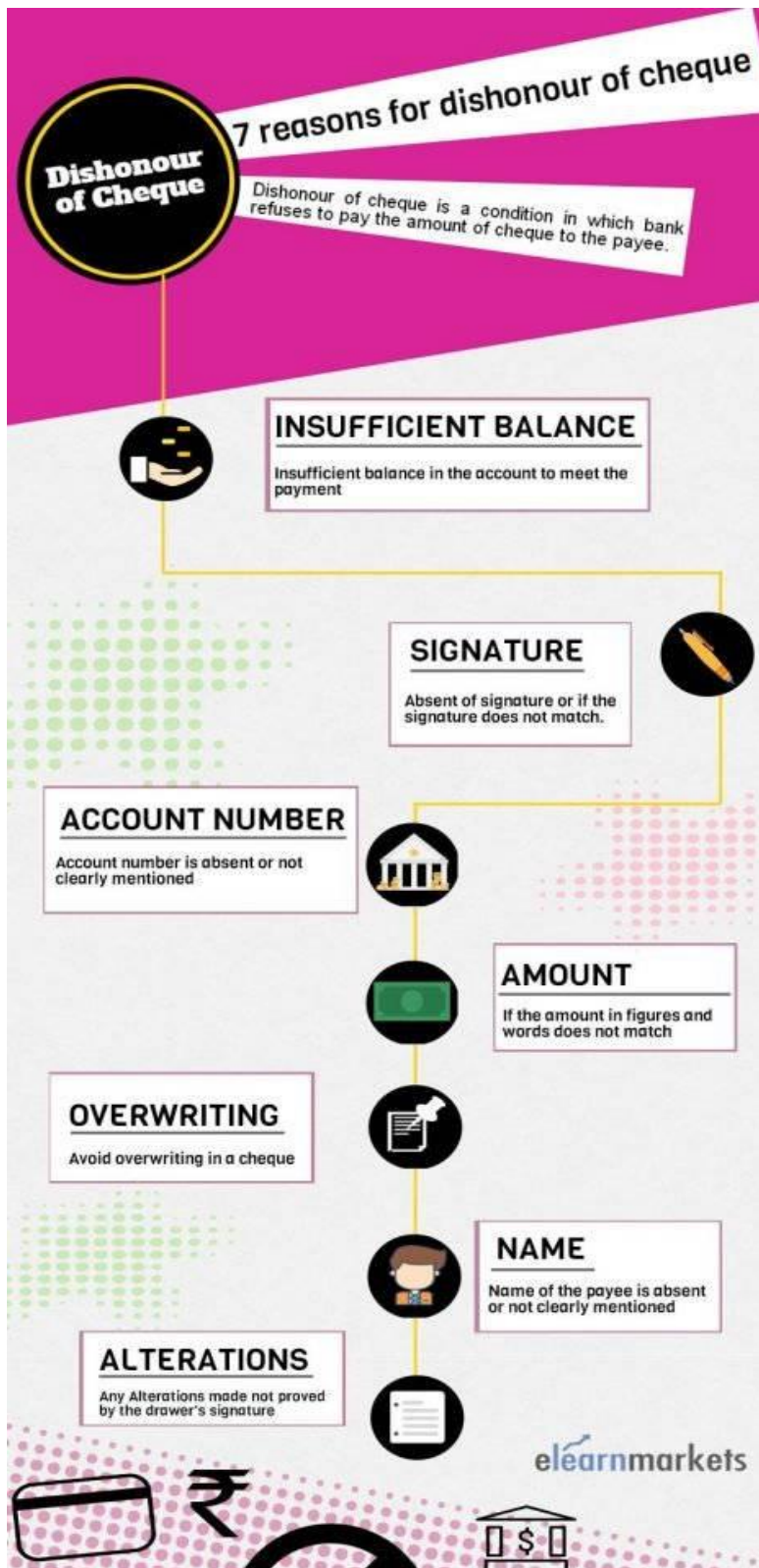
- (i) It must be in writing and signed by the maker or drawer;
- (ii) It must contain an unconditional promise or order to pay certain sum in money;
- (iii) It must be payable on demand; or at a fixed or determinable future time;
- (iv) It must be payable to order or to bearer; and
- (v) Where the instrument is addressed to a drawee, he must be named or otherwise indicated therein with reasonable

certainty. 17

Negotiable instrument is one the property in which is acquired

by anyone who takes it bonafide and for value, notwithstanding any defect of title in the person from whom he took it, from which it follows that an instrument cannot be negotiable unless it is such and in such a state that the true owner could transfer the contract

## **DISHONOR OF A CHEQUE**



1. If the cheque is overwritten. Know [‘How to write a Cheque?’](#)



2. If the signature is absent or the signature in the cheque does not match with the specimen signature kept by the bank.
3. If the name of the payee is absent or not clearly written.
4. If the amount written in words and figures does not match with each other.
5. If the account number is not mentioned clearly or is altogether absent.
6. If the drawer orders the bank to stop payment on the cheque.
7. If the court of law has given an order to the bank to stop payment on the cheque.
8. If the drawer has closed the account before presenting the cheque.
9. If the fund in the bank account is insufficient to meet the payment of the cheque.
10. If the bank receives the information regarding the death or lunacy or insolvency of the drawer.
11. If any alteration made on the cheque is not proved by the drawer by giving his/her signature.
12. If the date is not mentioned or written incorrectly or the date mentioned is of three months before.

### What Happens When A Cheque Is Dishonoured?

When the cheque is dishonoured, a 'cheque return memo' is offered by the bank to the payee stating why the cheque has been bounced. The payee can resubmit the cheque if he believes that it will be honoured second time. The payee can prosecute the drawer legally if the cheque is bounced again.

The Negotiable Instrument Act, 1881 is applicable for the cases related to dishonour of cheques. In accordance with section 138 of this act, dishonour of cheque is a criminal offence and is punishable with monetary penalty or imprisonment up to 2 years or both.

#### 1. Penalty

If a cheque is bounced, then a penalty is levied on both drawer and payee by their respective banks. The person will additionally have to pay late payment charges if the dishonoured cheque is against repayment of a loan.

#### 2. Damage To Credit History

Your credit history is negatively impacted if a cheque is dishonoured since your payment activities are reported to the credit bureaus by the financial institutions. The lenders will trust you if you have a good credit score. In order to have a good credit score, it's a good practice to avoid your cheques

from being bounced. Your good payment activities will help you build good CIBIL score and benefit you at the time of lending money from financial institutions.

Keep the above points in mind while writing the cheque so that the cheque is not dishonoured.

## Unit – IV

### Crossing of cheques

**Definition:** Crossing of a cheque is nothing but instructing the banker to pay the specified sum through the banker only, i.e. the amount on the cheque has to be deposited directly to the bank account of the payee.

Hence, it is not instantly encashed by the holder presenting the [cheque](#) at the bank counter. If any cheque contains such an instruction, it is called a crossed cheque.

The crossing of a cheque is done by making two transverse parallel lines at the top left corner across the face of the cheque.

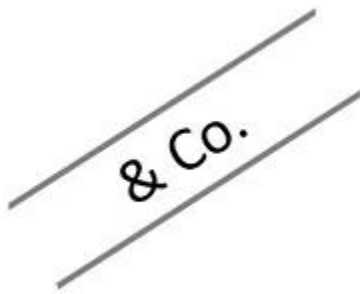
### Types of Crossing

The way a cheque is crossed specifies the banker on how the funds are to be handled, to protect it from fraud and forgery. Primarily, it ensures that the funds must be transferred to the bank account only and not to encash it right away upon the receipt of the cheque. There are several types of crossing

### Significance

**General Crossing:** When across the face of a cheque two transverse parallel lines are drawn at the top left corner, along with the words & Co., between the two lines, with or without using the words not negotiable. When a cheque

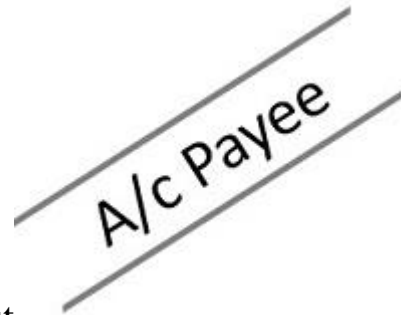
is crossed in this way, it is called a general crossing.



& Co.

A diagram showing two parallel diagonal lines with the text "& Co." written between them, representing a general crossing.

**Restrictive Crossing:** When in between the two transverse parallel lines, the words 'A/c payee' is written across the face of the cheque, then such a crossing is called restrictive crossing or account payee crossing. In this case,



A/c Payee

A diagram showing two parallel diagonal lines with the text "A/c Payee" written between them, representing a restrictive crossing.

the cheque can be credited to the account of the stated person only, making it a non-negotiable instrument.



Not Negotiable  
State Bank of India

A diagram showing two parallel diagonal lines with the text "Not Negotiable" and "State Bank of India" written between them, representing a special crossing.

**Special Crossing:** A cheque in which the name of the banker is written, across the face of the cheque in between the two transverse parallel lines, with or without using the word 'not negotiable'. This type of crossing is called a special crossing. In a special crossing, the paying banker will pay the sum only to the banker whose name is stated in the cheque or to his agent.

Hence, the cheque will be honoured only when the bank mentioned in the crossing orders the same.

**Not Negotiable Crossing:** When the words not negotiable is mentioned in between the two transverse parallel lines, indicating that the cheque can be transferred but the transferee will not be able to have a better title to the cheque.



Not Negotiable

**Double Crossing:** Double crossing is when a bank to whom the cheque crossed specially, further submits the same to another bank, for the purpose of collection as its agent, in this situation the second crossing should indicate that it is serving as an agent of the prior banker, to whom

the cheque was specially crossed.

*State Bank of India*

*Punjab National Bank*

The crossing of a cheque is done to ensure the safety of payment. It is a well-known mechanism used to protect the parties to the cheque, by making sure that the payment is made to the right payee. Hence, it reduces fraud and wrong payments, as well as it protects the instrument from getting stolen or encashed by any unscrupulous individual Endorsement

## **Introduction**

Endorsement means signature of the holder (An individual who has lawfully received possession) made with object of transferring the document.

The signature & message on the **back** of a cheque to either **cash** it, **deposit** it or to **handover the rights** of the cheque to someone else.



### **Who may endorse**

The payee of an instrument is the rightful person to make the first endorsement. Thereafter, the instrument may be endorsed by any party who has become the holder of the instrument (sec.15).




### **Effect of Endorsement**

- The endorsement of a negotiable instrument followed by delivery transfers to the endorsee the property therein with the right of further negotiation.
- The endorsement may restrict or exclude such right.
- The endorsement may constitute the endorsee an agent.




## **Essential Elements of Endorsement**

- Ordinarily endorsement is made on the face of the instrument but it may be made on its back also. However, if there is no space left on the instrument itself, an endorsement may be made on an attached slip of paper. Such a slip is known as Allonge.
  - If the instrument is made with an intention of transferring the instrument but only the signature is made thereon without any other words, it is said to be endorsement in blank.
  - No particular words are necessary for an endorsement in full.
- 



## **Essential Elements of Endorsement**

- ▶ An endorsement must be genuine and not fraud.
  - ▶ If the payee's or the endorsee's name is spelt wrongly, he should sign the name as spelt in the instrument and write the correct spelling within brackets.
  - ▶ A negotiable instrument endorsed in blank is payable to the bearer thereof even though originally payable to order (sec 54). But this does not apply to crossed cheques.
  - ▶ The endorsement must be signed by the holder or his duly authorised agent.
- 

## **Essential Elements of Endorsement**

- ▶ The maker, acceptor or endorser may, before the instrument is delivered, cancel or revoke his signature, but not afterwards.
- ▶ Endorsements should be signed in ink.
- ▶ Where the endorser is authorised to send the instrument by post, it is deemed to have been delivered to the endorsee as soon as it is posted.
- ▶ Complimentary prefix like Shri or Smt is usually not written in negotiable instrument.



## **Essential Elements of Endorsement**

- ▶ In case of an illiterate person, he may endorse the instrument by putting his thumb impression of his left hand endorsed by witnesses who must also sign.
- ▶ It is presumed that the endorsement appearing on a negotiable instrument were made in the same order in which they appear thereon (sec.118(e)).
- ▶ It must be completed by the delivery of the instrument.



### **Types of cheque**

#### **Various Types of Cheques**

A cheque is an unconditional order addressed to a banker, signed by the person who has deposited money with a banker, requesting him to pay on demand a certain sum of money only to the order of the certain person or to the bearer of the instrument.

## TYPES OF CHEQUES-

### 1) Bearer Cheque

Bearer cheques are the cheques which withdrawn to the cheque's owner. These types of cheques normally used for a cash transaction.

For example - Ram has a savings account in HDFC bank. He brought a cheque from his chequebook to the HDFC bank branch where he has an account. He can present the cheque to the bank and withdraw money from his account. This type of cheque is known as Bearer Cheque.

## Bearer Cheque

The image shows a sample HDFC Bank Bearer Cheque. The cheque is dated and valid for 3 months. It is payable to ANKIT SHARMA for the amount of Thirty Seven Thousand Only /- (₹ 37,000/-). The cheque is signed by the authorised signatory. The cheque is payable at par through clearing/transfer at all branches of HDFC BANK LTD.

**HDFC BANK**  
Pay **ANKIT SHARMA** Or Bearer  
Rupees **थirty Seven Thousand Only /-** या धारक को  
**₹ 37,000/-** अदा करे  
A/c No. **XXXXXXXXXXXXXX** SB AC For **XXXXXXXXXXXXXXXXXXXXXXXXXXXX**  
Payable at par through clearing/transfer at all branches of HDFC BANK LTD.  
Authorized Signatory  
Please sign above / पर धारक की

### 2) Order Cheque

Order cheques are the cheques which are withdrawn for the payee(the person whose name is written on the cheque). Before making payment to that payee,cross-checks check the identity of the payee.

For example - Ram has a savings account in HDFC bank. He wanted to make payment of Rs.100,000 to Sham. Ram gave a cheque to Sham, writing his name on the cheque. Sham will present the cheque to HDFC bank and he will get the cash.

## Order Cheque

**HDFC BANK**  
Date: \_\_\_\_\_ Valid for 3 months Only

Pay **ANKIT SHARMA** Or Bearer

Rupees **thirty Seven Thousand Only** /- या धारक को

अदा करे ₹ **37,000/-**

For **XXXXXXXXXXXXXXXXXXXX** SB AC

Payable at par through clearing/transfer at all branches of HDFC BANK LTD

Authorized Signatory  
Please sign above / परम लेखक से

### 3) Crossed Cheque

On the Crossed cheques, two lines are made on the top right of the cheque. Amount mentioned on the cheque is only transferred to the bank account of the payee. No cash payment is made.

## Crossed Cheque

**HDFC BANK** (marked with two red diagonal lines)

Date: \_\_\_\_\_ Valid for 3 months Only

Pay **ANKIT SHARMA** Or Bearer

Rupees **thirty Seven Thousand Only** /- या धारक को

अदा करे ₹ **37,000/-**

For **XXXXXXXXXXXXXXXXXXXX** SB AC

Payable at par through clearing/transfer at all branches of HDFC BANK LTD

Authorized Signatory  
Please sign above / परम लेखक से

#### 4) Account Payee Cheque

On the Account payee cheque, two lines are made with the word "account payee" on the top right of the cheque. Amount mentioned on the cheque is only transferred to the bank account of the payee whose name is mentioned on the cheque. No cash payment is made. This cheque can not be endorsed to the third party.

### Account Payee Cheque

The image shows a sample Account Payee Cheque from HDFC Bank. The cheque is payable to ANKIT SHARMA for the amount of ₹ 37,000/- (Thirty Seven Thousand Only). It includes fields for Date, Account No., and Authorized Signatory. A red box highlights the 'Account Payee' text on the top right.

#### Difference between Crossed cheques and Account payee cheques

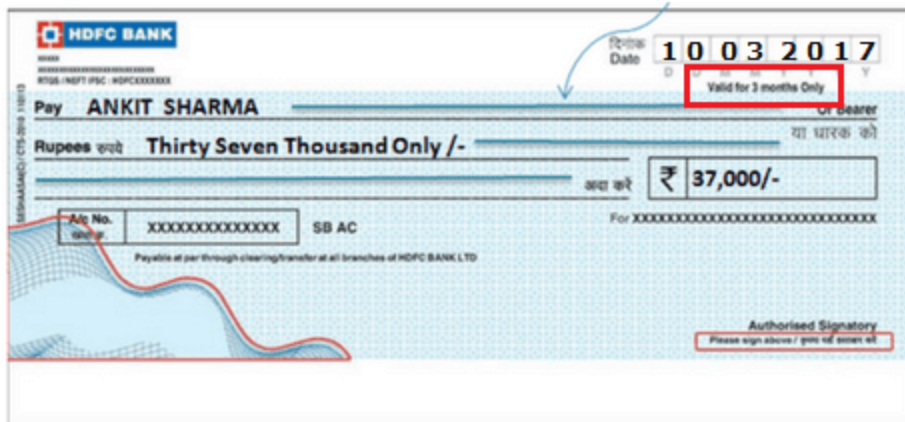
Crossed cheques can be endorsed to other parties while the Account-payee cheques can't be endorsed and funds are only transferred to the account whose name is mentioned on the cheque.

#### 5) Stale Cheque

In India, if a cheque is not presented to the bank within 3 months from the date written on the cheque is known as a stale cheque.

For example - On 10 January 2019, If the cheque is presented to the bank on 10 April 2019, the cheque will be returned by bank stating that cheque is stale.

## Stale Cheque



HDFC BANK  
XXXXX  
XXXXXXXXXXXXXXXXXXXX  
RTGS - NEFT PSC - HDFCXXXXXX

Pay ANKIT SHARMA Or Bearer  
या धारक को

Rupees रुपये Thirty Seven Thousand Only /-  
अदा करे ₹ 37,000/-

Account No. XXXXXXXXXXXXXXXX SB AC  
For XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Payable at par through clearing/transfer at all branches of HDFC BANK LTD

Valid for 3 months Only

10 03 2017  
Date

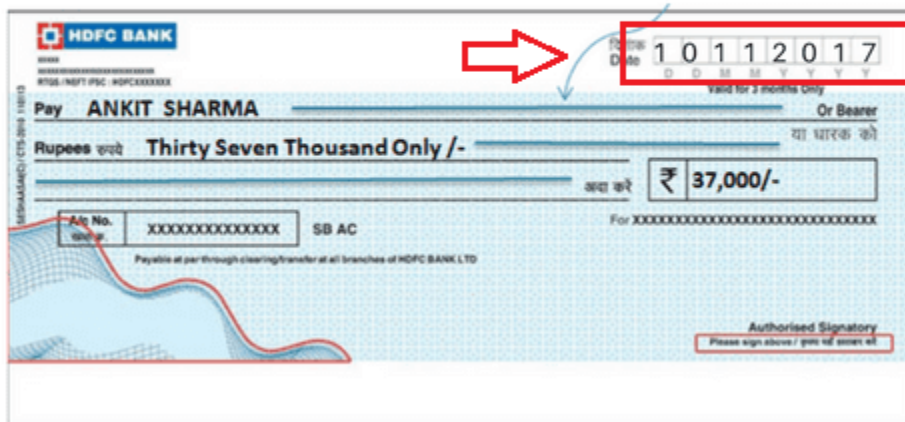
Authorized Signatory  
Please sign above / पर ले अकेत ले

## 6) Post Dated Cheque

If any cheque issued by a holder to the payee for the upcoming withdrawn date, then that type of cheques are called post-dated cheque.

For example - On 10 January 2019, Ram issued a cheque to Sham. Date written on the cheque is 10 February 2019.

## Post Dated Cheque



HDFC BANK  
XXXXX  
XXXXXXXXXXXXXXXXXXXX  
RTGS - NEFT PSC - HDFCXXXXXX

Pay ANKIT SHARMA Or Bearer  
या धारक को

Rupees रुपये Thirty Seven Thousand Only /-  
अदा करे ₹ 37,000/-

Account No. XXXXXXXXXXXXXXXX SB AC  
For XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Payable at par through clearing/transfer at all branches of HDFC BANK LTD

Valid for 3 months Only

10 11 2017  
Date

Authorized Signatory  
Please sign above / पर ले अकेत ले

## 7) Ante Dated Cheque

If date entered on the cheque is prior to the current date, that type of cheque is known as Ante-dated cheque.

For example - On 10 January 2019, Ram issued a cheque to Sham. Date written on the cheque is 10 December 2018.

### Ante Dated Cheque

The image shows an ante-dated cheque from HDFC Bank. The cheque is dated 12/11/2017, which is before the current date. The amount is ₹ 37,000/-, payable to ANKIT SHARMA. A red arrow points to the date field, and a red box highlights the date '12/11/2017'.

## UNIT – V

### RECENT TRENDS IN BANKING SERVICE

#### Trends in Banking

In recent years, the Indian economic environment has seen a lot of changes because of reforms and measures taken by the banks. The largest change is seen in the financial sector where the banking sector is the largest player to notice this change. So, the banking sector is strong enough to withstand any sort of pressure and competition. Thus, these trends in banking have been very visible in the last few years.



India, now, has a fairly stable banking sector with different classes of banks contributing to it. Thus, these include foreign banks, public banks, private sector banks, and others. Reserve Bank of India is head of all these banks.

## **Trends in Banking**

In recent years, there have been many changes in the banking industry. These trends in banking have made the whole process of banking very easy. These trends include the following:

### **RTGS – Real Time Gross Settlement**

RTGS was introduced in India in March 2004. It is a system through which a bank receives instruction in the form of electronic for transferring the funds from one bank account to the other bank accounts.

As the name suggests, the transfer of funds between the accounts takes place in 'real time'. The RTGS system is kept running and maintained by the RBI.

So, it is operated by the RBI who provides it the faster and efficient way to transfer the funds while facilitating the various financial operations.

Thus, the money send under this system is instantaneous and the beneficiary gets the money within two hours.

### **E-cheques**

This technology has been developed in the US which will replace the conventional paper cheques in India. Thus, to include this method of E-cheque and make it mandatory, a negotiable instruments act has been included in the amendment.

## **Electronic Clearing Service**

ECS is an electronic system that is used to make the payments and receipts that are in bulk. The payments need to be similar in nature which can be smaller in amount and repetitive in nature.

Thus, this facility is specifically beneficial to government agencies and companies that make or receive large bulk payments.

## **EFT – Electoral Funds Transfer**

This is a system to transfer the money from one's bank account to other accounts.

So, in this system, the concerning party that wants to make the payment instructs the bank and make a cash payment or authorizes the bank to transfer the funds directly.

So, the sender should provide the bank with the complete details like the name of the receiver, account type, account number of the respective bank, city name, branch name, and other details to the bank.

Thus it will ensure that the amount reaches the beneficiaries account quickly and correctly.

## **ATM – Automatic Teller Machine**

This is the most popular method in India to withdraw the money. The customers can enable this service to withdraw the money 24 by 7.

It allows the customers to perform all day to day bank activities without interacting with any humans. Furthermore, these facilities are also used for the payment of funds, utility bills, etc.

The other trends in the banking sector include a point of sale terminal, telebanking, and electronic data interchange.

### **1) Electronic Payment Services – E Cheques**

Now-a-days we are hearing about e-governance, e-mail, e-commerce, e-tail etc. In the same manner, a new technology is being developed in US for introduction of e-cheque, which will eventually replace the conventional paper cheque. India, as harbinger to the introduction of e-cheque, the Negotiable Instruments Act has already been amended to include; Truncated cheque and E-cheque instruments.

### **2) Real Time Gross Settlement (RTGS)**

Real Time Gross Settlement system, introduced in India since March 2004, is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a 'Real Time' basis. Therefore, money can reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

### **3) Electronic Funds Transfer (EFT)**

Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name etc. should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries' account correctly and faster. RBI is the service provider of EFT.

### **4) Electronic Clearing Service (ECS)**

Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.

#### **5) Automatic Teller Machine (ATM)**

Automatic Teller Machine is the most popular device in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is a device that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.

#### **6) Point of Sale Terminal**

Point of Sale Terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

#### **7) Tele Banking**

Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this device Automatic Voice Recorder is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.

#### **8) Electronic Data Interchange (EDI)**

Electronic Data Interchange is the electronic exchange of business documents like purchase order, invoices, shipping notices, receiving advices

etc. in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

## **IMPLICATIONS**

The banks were quickly responded to the changes in the industry; especially the new generation banks. The continuance of the trend has re-defined and re-engineered the banking operations as whole with more customization through leveraging technology. As technology makes banking convenient, customers can access banking services and do banking transactions any time and from any ware. The importance of physical branches is going down.

## **CHALLENGES FACED BY BANKS**

The major challenges faced by banks today are as to how to cope with competitive forces and strengthen their balance sheet. Today, banks are groaning with burden of NPA's. It is rightly felt that these contaminated debts, if not recovered, will eat into the very vitals of the banks. Another major anxiety before the banking industry is the high transaction cost of carrying Non Performing Assets in their books. The resolution of the NPA problem requires greater accountability on the part of the corporate, greater disclosure in the case of defaults, an efficient credit information sharing system and an appropriate legal framework pertaining to the banking system so that court procedures can be streamlined and actual recoveries made within an acceptable time frame. The banking industry cannot afford to sustain itself with such high levels of NPA's thus, "lend, but lent for a purpose and with a purpose ought to be the slogan for salvation."

The Indian banks are subject to tremendous pressures to perform as otherwise their very survival would be at stake. [Information technology \(IT\) plays an important role in the banking sector](#) as it would not only ensure smooth passage of interrelated transactions over the electric medium but will also facilitate complex financial product innovation and product development. The application of IT and e-banking is becoming the order of the day with the banking system heading towards virtual banking.

As an extreme case of e-banking World Wide Banking (WWB) on the pattern of World Wide Web (WWW) can be visualized. That means all banks would be interlinked and individual bank identity, as far as the customer is concerned, does not exist. There is no need to have large number of physical bank branches, extension counters. There is no need of person-to-person physical interaction or dealings. Customers would be able to do all their banking operations sitting in their offices or homes and operating through internet. This would be the case of banking reaching the customers.

Banking landscape is changing very fast. Many new players with different muscle powers will enter the market. The Reserve Bank in its bid to move towards the best international banking practices will further sharpen the prudential norms and strengthen its supervisor mechanism. There will be more transparency and disclosures. In the days to come, banks are expected to play a very useful role in the economic development and the emerging market will provide ample business opportunities to harness. Human Resources Management is assuming to be of greater importance. As banking in India will become more and more knowledge supported, human capital will emerge as the finest assets of the banking system. Ultimately banking is people and not just figures.

India's banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. Indian banking industry is the midst of an IT revolution. Technological infrastructure has become an indispensable part of the reforms process in the banking system, with the gradual development of sophisticated instruments and innovations in market practices.

## **MODERN SERVICES OF BANK**

### **Modern Banking Services:**

**After Libera-lization, Privatization and Globalization, there was a huge development taken place in the Indian banking scenario. All Indian banks were forced to compete with world banks that were permitted to open their branches in India. As a result, all banking customers were offered multiple and model banking products which are different from**

**traditional and conventional banking system in India and these banking functions or mostly based on information technology.**

**Such modern banking services include new products such as Core Banking Solutions; No frills account; Demat accounts; Net Banking/ E-Banking; Mobile banking; Debit Card/ Credit cards; Automated Teller Machines (ATM); Insurance etc.**

### **1. Core Banking Solution (CBS):**

Core Banking Solution (CBS) is networking of branches, which enables Customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his account. The customer is no more the customer of a Branch. He becomes the Bank's Customer. Under this system all CBS branches are interconnected with each other. Therefore, Customers of CBS branches can avail various banking facilities from any other CBS branch located anywhere in the world. This CBS helps the customers

- To make enquiries about the balance or debit or credit entries in the account.
- To obtain cash payment out of his account by tendering a cheque.
- To deposit a cheque for credit into his account.
- To deposit cash into the account.
- To deposit cheques/cash into account of some other person who has account in a CBS branch.
- To get the statement of account.
- To transfer funds from his account to some other account – his own or of third party, provided both accounts are in CBS branches.
- To obtain Demand Drafts or Banker's Cheques from any branch on CBS – amount shall be online debited to his account.

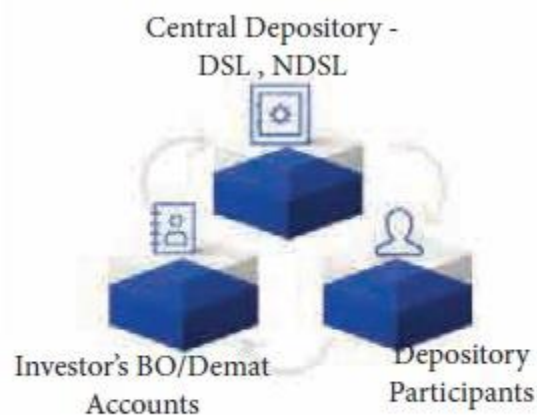
· Customers can continue to use ATMs and other Delivery Channels, which are also interfaced with CBS platform.

## 2. No Frills Accounts:

These accounts are opened mostly in rural areas as a part of financial inclusion project encouraged by Reserve Bank of India. These accounts are opened by banks without the condition of maintaining minimum balance. No charge will be levied for non-operation/activation of inoperative basic savings bank accounts. No frill accounts are mainly aimed to take the banking facilities to the poor people in the unbanked rural areas and semi-urban areas.

## 3. Dem at Accounts:

These are maintained by banks for high value transactions which are maintained in electronic forms for dealing in shares and securities of the customers mostly dealing in Government Bonds.



*Fig. 9.3. Demat Account*

## 4. Net Banking:



This is the easy way of doing banking from the convenient place of the customer and avoids queue or delay. We can also check balance, transfer funds, pay bills, open fixed and recurring deposits etc. Each customer is given a unique user ID and password for the purpose of accessing internet banking. Electronic Banking is also known as Electronic fund Transfer. Electronic means to transfer funds from one account to other account by ways of NEFT, RTGS or IMPS.

NEFT- National Electronic Fund Transfer

RTGS- Real Time Gross Settlement

IMPS-Immediate Payment Service



*Fig. 9.4. Net Banking*

## **5. Mobile Banking:**

Mobile Banking is a service provided by banks or other financial institution that allow their customers to do financial transaction using mobiles like smart phone or tablet. It is quick and simple way of banking. Mobile banking app helps to check the account balance, transfer funds, pay in bills etc.

## **6. Debit Card / Credit Card:**

A debit card is a plastic payment card that can be used instead of cash when making purchases. It is similar to a creditcard, but unlike a credit card, the

money deposited directly from the user's bank account when performing a transaction. It is also known as a bank card, plastic card or check card.

In credit card, the customer can perform the transaction up to a predefined limit, and pay them to the bank before a specified date.

## **7. ATM (Automatic Teller Machine):**

This is an electronic device which helps the customers for withdrawal, deposits money, transfer fund etc, round the clock. For availing the services of an ATM the customer needs an ATM card with a PIN number (Personal identification number). It provides 24 x 7 and 365 days a year service.



*Fig. 9.6. Debit Card / Credit Card*



*Fig. 9.7. ATM Machine*

## **8. Insurance:**

Insurance is a means of protection from financial loss. It is an arrangement by which the company undertakes to provide a guarantee of compensation for specified loss, damages, illness, or death in return for payment of specified premium. The largest insurance company in India is owned by government.



*Fig. 9.8. Insurance*

## **9. Lock-Box and Night Safe Services:**

These services are provided by some banks. Lock-box helps the customers particularly the traders, to keep cheques and other remittances in a box for

next day collection and certain entries should be passed. Nightsafe service is useful to the traders who receive large amount of money after the banking hours and who feel insecured at their premise

ATM(AUTOMATIC TELLER MACHINE)

### **What is an Automated Teller Machine (ATM)?**

ATM stands for Automated Teller Machine. It's a specialized computer that makes it convenient to manage your money. For example, almost all ATMs allow you to withdraw money, and many allow you to make deposits. At some ATMs, you can print a statement (a record of your account activity or transactions); check your account balances (the amount of money in your accounts right now); transfer money between your accounts; and even purchase stamps. You can usually access the most services at an ATM that's operated by your own bank.

### **Why use ATMs?**

ATMs are a safe and convenient way to manage your money. There are millions of ATMs worldwide and you can use many ATMs 24 hours a day, 7 days week. Some allow you to select the language you want to use.

Is there a fee for using an ATM?

Check with your bank to see if they charge any ATM fees to customers. Almost all banks do charge a fee to non-customers who use their ATMs. Keep in mind that even though using ATMs may cost you money, it's much less expensive than using a check cashing service.

### **How do you use an ATM?**

To operate an ATM, you insert an ATM or debit card and enter a Personal Identification Number (PIN), a secret password that you create.



Then, select the banking service you require (deposit, withdrawal, transfer funds, etc.).

### ATM cards



An ATM card is a PIN-based card. That means that in addition to using it at ATMs, you may also be able to use it to make purchases (by entering your Personal Identification Number) if the merchant is using one of the same electronic ATM networks that's listed on the back of your card.

### Debit card



A debit card looks just like a regular ATM card, and you can use it at ATMs. The difference is that a debit card has a Visa® or Mastercard® logo on its face. That means you can use a debit card wherever Visa® or Mastercard® debit cards are accepted, for example, department stores, restaurants, or online.

### Credit card



A debit card is not a credit card. When you use a debit card, the money is deducted from your checking account. With a credit card, you're borrowing money to be repaid later.

ATM and debit cards allow you to use ATMs, a safe and convenient way to manage your money. There are millions of ATMs worldwide and you can use

many ATMs 24 hours a day, 7 days week. ATM and debit cards are also a convenient way to make purchases without carrying cash that help you keep better track of the money you spend.

### **The parts of a debit card**

Learn the different areas on the front and back of a debit card.

### **The front of a debit card includes:**



- The debit card number
- The expiration date
- A Visa® or Mastercard® logo

#### Debit card number

this 16-digit number is unique to your card. It is different from your checking account number.

#### Expiration date

your card can only be used until this date. A new card will be automatically sent to your address prior to the expiration date.

#### Visa® or MasterCard® logo

This symbol means that you can use this card wherever Visa® or Mastercard® debit cards are accepted, for example, department stores, restaurants, and online.

### **The back of a debit card includes:**



- The customer service number
- The signature bar
- The card verification value
- The network logos

### Customer service number

Call this toll-free number when you have questions about your account.

### Signature bar

For your protection against fraud, be sure to sign here as soon as receive your card.

### Card verification value (CVV)

This number is unique to your card. When you use your card to make purchases over the phone or Internet, some merchants may require you to supply this number to confirm that you have the card with you.

### Network logos

The logos that appear on your card indicate where it can be used. You can:

- Access any ATM that carries the same logos as your card.
- Make PIN-based purchases at merchants that display the same Point-of-Sale ne **GREEN CARD**

A Green Card holder (permanent resident) is someone who has been granted authorization to live and work in the United States on a permanent basis. As proof of that status, U.S. Citizenship and Immigration Services (USCIS) grants a person a permanent resident card, commonly called a "Green Card."

You can become a permanent resident several different ways. Most individuals are sponsored by a family member or employer in the United

States. Other individuals may become permanent residents through refugee or asylee status or other humanitarian programs. In some cases, you may be eligible to file for yourself.

## What Is a Green Card?

A green card is a colloquial name for the identification card issued by U.S. Citizenship and Immigration Services to permanent residents, who are legally allowed to live and work in the U.S. indefinitely. Green cards got their nickname because they were green in color from 1946 to 1964. In 2010 they became green again, but the nickname persisted during the intervening decades of blue, pink and yellow "green cards."

## KEY TAKEAWAYS

- The green card is a permanent resident ID issued to immigrants in the U.S.
- The green card lottery gives away up to 55,000 annual permanent visas to other countries.
- Permanent residents can be fined or jailed for not having their green card on their person.
- Cards must be renewed every 10 years.
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## How a Green Card Works

### How do I get a Green Card?

In general, there are three ways to obtain the Green Card:

1. Via the [workplace](#)
2. Via a [family reunion](#)
3. By winning the [Green Card Lottery](#)

Depending on which category is selected, different requirements must be met. Getting a Green Card via the workplace or a family reunion can be a very lengthy, difficult process that may take several years.



The quickest and easiest way to a US Green Card is by winning in the Green Card Lottery. All you need is a bit of luck. By participating in the Lottery with The American Dream, we guarantee that your application will be submitted correctly and in-time. Besides, your [chances to win](#) lie between 1:25 and 1:50!