

# NME IV

## BANKING PRACTICES

### MEANING OF BANK

- Bank is a financial institution licensed to collecting amount from people as saving and makes loans.
- **In simple words, we can say that Bank is a financial institution that undertakes the banking activity ie.it accepts deposits and then lends the same to earn certain profit.**

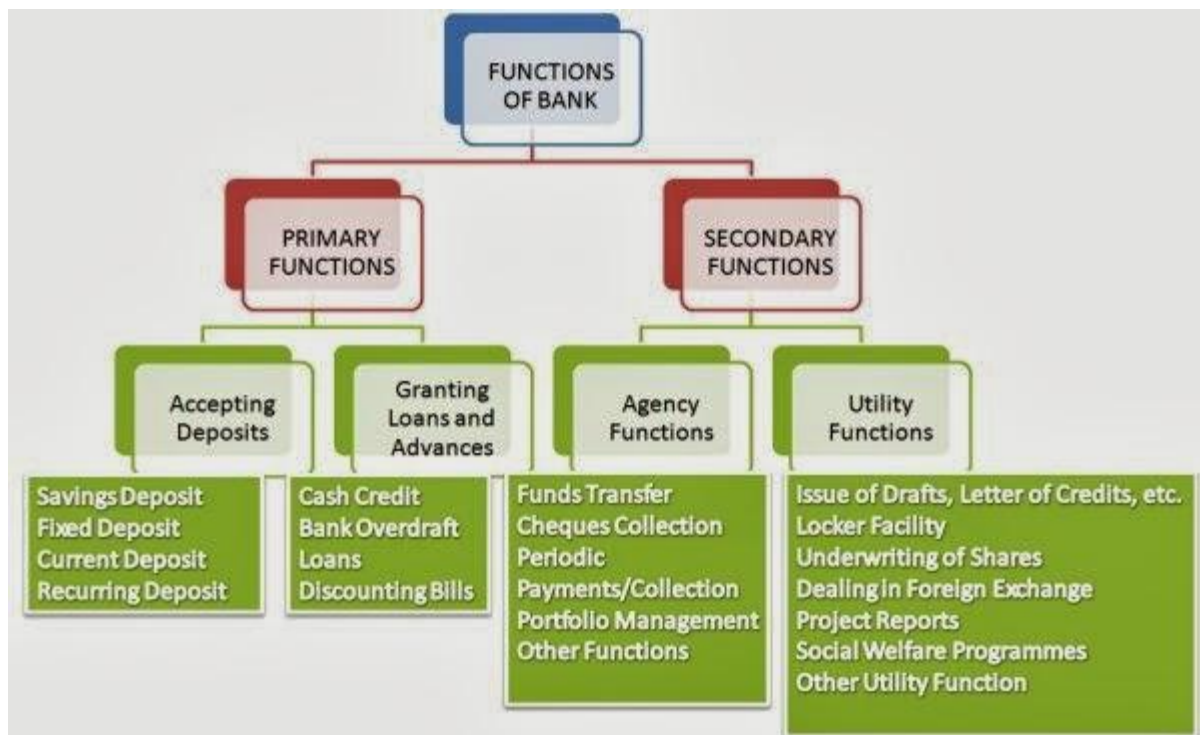
### BANKING

- The business conducted or services offered by a bank.
- In general terms, the business activity of accepting and safeguarding money owned by other individuals and Firms.

### DEFINITION OF BANKING

Banking can be defined as “the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit.

### FUNCTIONS OF BANKING



## Accepting deposits

Most important function of a bank is to mobilize public funds. Bank provides safe custody as well as interest to the depositors.

### Saving deposit

- Saving deposit account meant for those people who wants to save for future needs and uncertainties.
- There is no restriction on number and amount of withdrawals.
- Bank provides cheque book, ATM cum debit card and Internet banking facility.
- Depositors need to maintain minimum balance which varies across different banks.

### Fixed deposit or Term deposit

- In fixed deposit account, money is deposited for a fixed period.
- Banks issues a deposit certificate which contains name, address, deposit amount, withdrawal date, depositor signatures and other important information.
- **Depositor can't withdraw money during this period.**
- In case depositor want to withdraw before maturity, banks levy pre-mature withdrawal penalty.

### Current account

Current accounts are normally opened by businesses. Banks provide overdraft facility for these accounts by which account holder can withdraw more money than available bank balance. This act as a short term loan to meet urgent needs. Bank charges high rate on interest and charges for overdraft facility because bank need to maintain a reserve for unknown demands for overdraft.

## Recurring deposit

In this type of account depositors deposits certain sum of money at regular period of time. Benefit of recurring account is that it provides benefit of compounded rate of interest and enables depositors to collect big sum of money.

## Granting Loans and advances

### Cash credit

It is a short term loan facility under which banks allows its customers to take loan up to a certain limit, normally bank grants this loan against mortgage of certain property.

### Bank overdraft

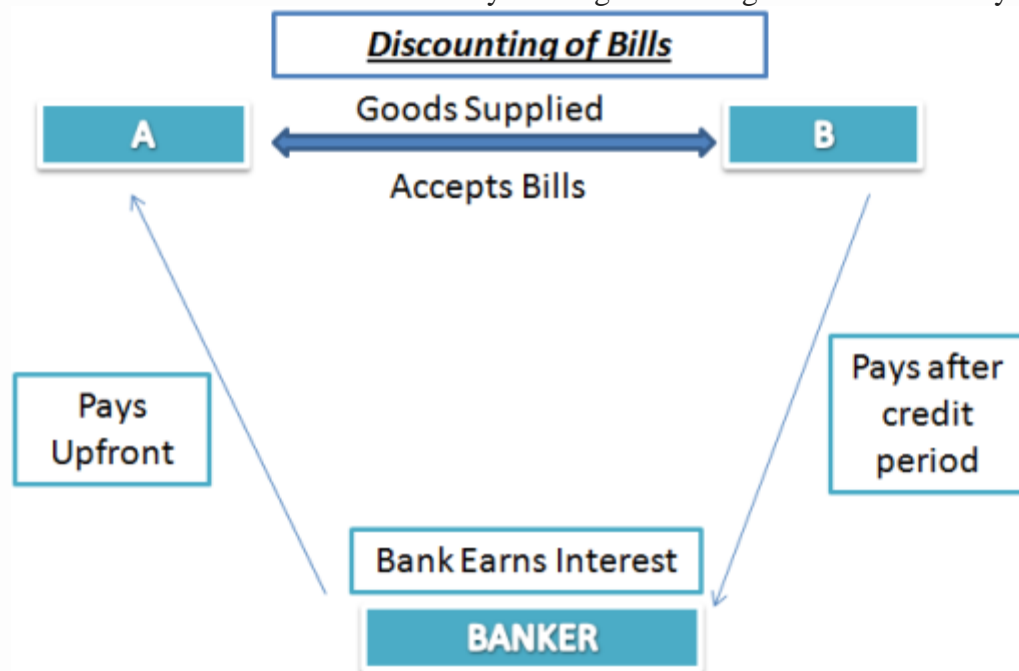
Bank provides this facility to current account holders. Account holder can withdraw money anytime up to the provided limit. He need to pay interest only on borrowed amount for the period for which he took loan.

### Loans

Banks providing loans for various kinds of short term as well as long term needs. Borrower pay back the loan in installments.

### Discounting bills

In normal day to day business, sellers sends bills to buyer whenever they sell their products and it is mentioned in bill to make payment in stipulated time. Lets take it 30 days. In such conditions seller may discount the bill from bank for some fees. In such situation bill discounting acts as short term loan. In case the buyer or the drawer defaults, bank send the bill back to seller to drawer so that he may take legal action against drawee or buyer.



### Secondary functions

### Agency functions

- Funds transfer
- Cheques collection
- Periodic payments/collection
- Portfolio management

### Utility functions

- **Locker facility:**  
Commercial banks provide facility of safety vaults or lockers to keep valuable articles of customers in safe custody.

### Letter of Credit:

They also issue letters of credit to their customers to certify their creditworthiness.

**(iv) Underwriting Securities:**

Commercial banks also undertake the task of underwriting securities. As public has full faith in the creditworthiness of banks, public do not hesitate in buying the securities underwritten by banks.

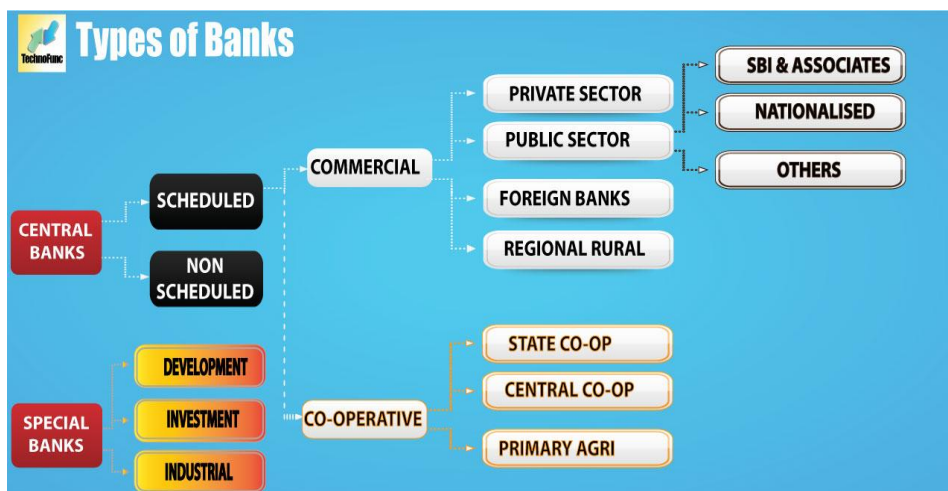
**vi) Purchase and Sale of Foreign Exchange:**

Some commercial banks are authorized by the central bank to deal in foreign exchange. They buy and sell foreign exchange on behalf of their customers and help in promoting international trade.

**CLASSIFICATION OF BANKS**

- In India we find the following types of banks-- Central bank, Commercial banks, Regional Rural banks and Cooperative banks. Central bank is the regulatory authority of the banking system in India.
- Commercial banks can be further classified as Public sector and Private sector banks and foreign banks on the basis of ownership.
- On the other hand, Cooperative Banks can be classified as State Cooperative Bank (at State level), Central/District Cooperative Banks (at district level) and Primary Credit Society (at village level) on the basis of its area of operation.
- Currently, India has 88 scheduled commercial banks (SCBs) - 28 public sector banks (that is with the Government of India holding a stake), 29 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 31 foreign banks. ANZ Grindlays Bank, Citibank, American Express Bank Ltd. etc. are some of the foreign banks operating in India. They have a wide network of branches and ATMs. The public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively.

**CLASSIFICATION OF BANK:**



## 1. CENTRAL BANK OF INDIA / RESERVE BANK OF INDIA

- It is bank who controlling and regulating all the banks in india.
- The Reserve Bank of India (RBI) is the supreme monetary authority of the country and tops the entire banking hierarchy.
- The scheduled banks under the authority of Reserve Bank of India are further categorized into two segments – commercial banks and co-operative banks. The commercial banks are then again subdivided into two classes – private sector banks and public sector banks. In the year 1994, the Government of India allowed the new private banks to operate in the country and this changed the face of banking in the country.

### SCHEDULED BANK:

- Scheduled Banks in India are those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934.
- The bank name which listed under RBI.

### Commercial bank:

- Banking means accepting deposits of money from the public for the purpose of lending or investment. Deposit-taking institutions take the form of commercial banks, when they use the deposits for making commercial, real estate, and other loans.

### They can be classified as:

- Public Sector
- Private Sector
- Foreign Banks
- Regional Rural Banks

#### 1. PUBLIC SECTOR BANK

- **Public Sector Banks (PSBs)** are banks where a majority **involvement and action** by a **government**.
  - It is also controlled by government.
  - There are a total of 21 PSBs in India.
  - The main functions of commercial bank accepting deposits from public side and giving or lending loan.
1. Allahabad Bank
  2. Andhra Bank
  3. Bank of India

4. Bank of Baroda
5. Bank of Maharashtra
6. Canara Bank
7. Central Bank of India
8. Corporation Bank
9. Dena Bank
10. Indian Bank
11. Indian Overseas Bank
12. Oriental Bank of Commerce
13. Punjab & Sindh Bank
14. Punjab National Bank
15. Syndicate Bank
16. UCO Bank
17. Union Bank of India
18. United Bank of India
19. Vijaya Bank

#### 1. PRIVATE SECTOR BANK

- **Private Sector Banks (PSBs)** are banks where a majority **involvement and action** by a **private association**.
  - There are a total of 21 PSBs in India.
- Ex. **ICICI, AXIS BANK, AND CITY UNION BANK ETC...**

#### 2. FOREIGN BANK

The bank headquarters in other country and operating branches in india

##### Examples:

ABN AMRO Bank N.V.  
 American Express Bank  
 Abu Dhabi Commercial Bank Ltd  
 Antwerp Diamond Bank  
 Bank International Indonesia  
 Arab Bangladesh Bank  
 Bank of America  
 Bank of Ceylon  
 Bank of Bahrain & Kuwait  
 Bank of Nova Scotia  
 Barclays Bank  
 Bank of Tokyo Mitsubishi UFJ  
 BNP Paribas  
 ChinaTrust Commercial Bank  
 Calyon Bank  
 Cho Hung Bank  
 DBS Bank  
 Citibank  
 Deutsche Bank  
 JPMorgan Chase Bank  
 HSBC (Hongkong & Shanghai Banking Corporation)

Krung Thai Bank  
Mizuho Corporate Bank  
Mashreq Bank  
Oman International Bank  
Standard Chartered Bank  
Societe Generale  
Taib Bank  
State Bank of Mauritius

### **3. REGIONAL RURAL BANK (RRB)**

Regional Rural Banks (RRBs) are established in the rural areas to meet the needs of the weaker section of the rural population.

Example:

- 1. Pallavan Grama Bank,**
- 2. Pandyan Grama Bank,**

The area of operation of RRBs is limited to the area as notified by Government of India

### **COOPERATIVE BANK:**

Co-operative banks are organised under the provisions of the Co- operative societies law of the state. These banks were originally set up in India to provide credit to the farmers at cheaper rates. However, the co-operative banks function also in the urban sectors. Some examples

#### **STATECOOPERATIVE BANK**

All the states Granting Loan To The Formers

- Andaman and Nicobar State Co-operative Bank
- Andhra Pradesh State Co-operative Bank
- Arunachal Pradesh State Co-operative Apex Bank
- Assam Co-operative Apex Bank

**Central co-operative bank** (Nicolson co-operative bank)

### **RURAL COOPERATIVE BANK**

**National Cooperative Agriculture & Rural Development Banks Federation Ltd** is the apex level organization of Agriculture & Rural Development Banks of the sector. The Federation was set up in 1960 and is administered under the Multi-State Cooperative Societies Act, 2002.

The long term cooperative credit structure consists of the

- State Cooperative Agriculture & Rural Development Banks (**SCARDBs**) and
- Primary Cooperative Agriculture & Rural Development Banks (**PCARDBs**) which are affiliated to the SCARDBs.

The total No. of SCARDBs are 17; of which 8 have Federal Structure, 7 have Unitary Structure and 2 have Mixed Structure (i.e. operating through PCARDBs as well as its own branches).

### **Specialised Banks:**

These are the bank only for specific purpose.

Ex: **EXIM Bank** – **EXIM BANK** lending loan only for exporting and importing product

**IDBI:** Industrial Development Bank of India- these are the bank lending loan only for the developing industris.



## Unit 2

Define the Term Banker & Customer:

**Banker:**

- Banker is a person who is **accepting the deposit** from the public and **lending loan**.

**Customer:**

- A person who **has a bank account in his name** and for whom the banker.

### **Relationship between banker and customer**

Relationship between banker and customer can be classified into two types

Such as

#### **i). General relationship:**

**Debtor-Creditor**

**Creditor- debtor**

1. **Debtor-Creditor**
2. **Creditor- debtor**

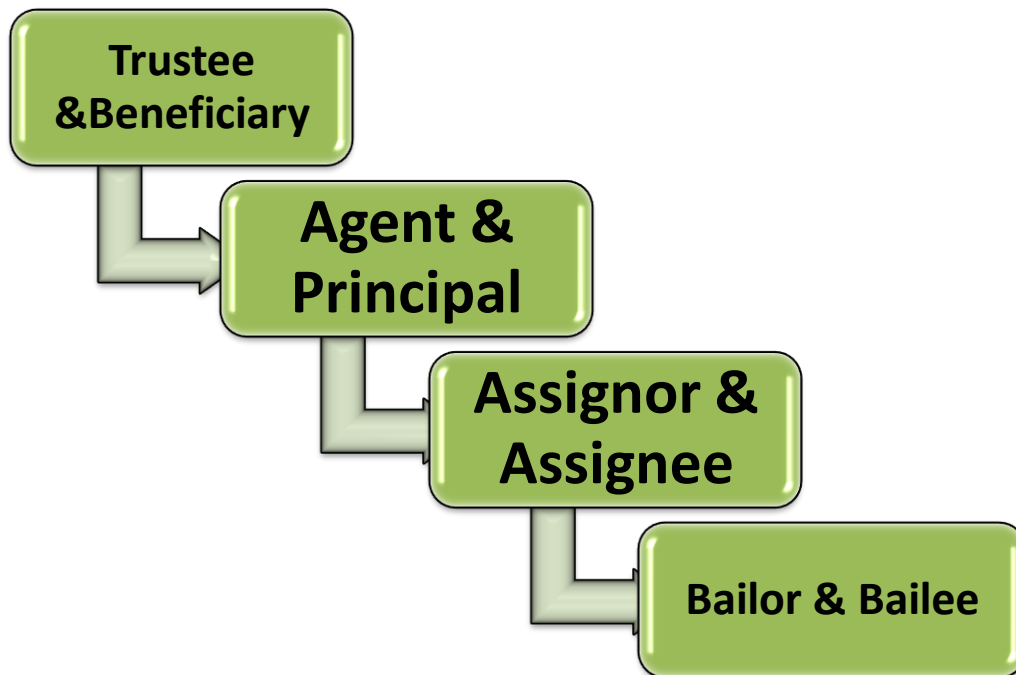
**Debtor-Creditor**

- When the customer deposits **their amount in his account**, **the banker** becomes a **debtor (who is receiving amount)** and the customer is a creditor **(who is giving money)**.

**Creditor- debtor**

- When customer **receives loan** from the **bank**, customer become as a **debtor (who is receiving amount)** and bank becomes a creditor **(who is giving money)**.

## ii) Special relationship



### 1. Trustee and beneficiary:

- When a customer giving **gold, silver, platinum, property document** in his **safety locker in bank**, banker becomes a **trustee** and customer becomes a **beneficiary**.

Therefore,

- TRUSTEE – BANKER
- BENEFICIARY – CUSTOMER

### 2. Agent & Principal:

- ❖ When customer receiving his/her **salary, pension, rent** through their **bank account**, banker becomes an **agent**.
- ❖ The Salary, pension, rent belongs to the customer. So customer becomes owner of the amount and he/ she is considered as principal.

Therefore,

- CUSTOMER – PRINCIPAL
- BANKER- AGENT

### 3. BAILOR & BAILEE:

- ❖ When a customer borrow money from the bank by **pledging (surrendering) valuables, bonds gold, property documents etc.**, customer becomes a bailor.
- ❖ When a banker **accepting the documents and giving safe guard** to the property and its documents is called as a bailee. so banker is a bailee

Hence

- ❖ BAILOR- CUSTOMER
- ❖ BAILEE- BANKER

### 4. Assignor & assignee:

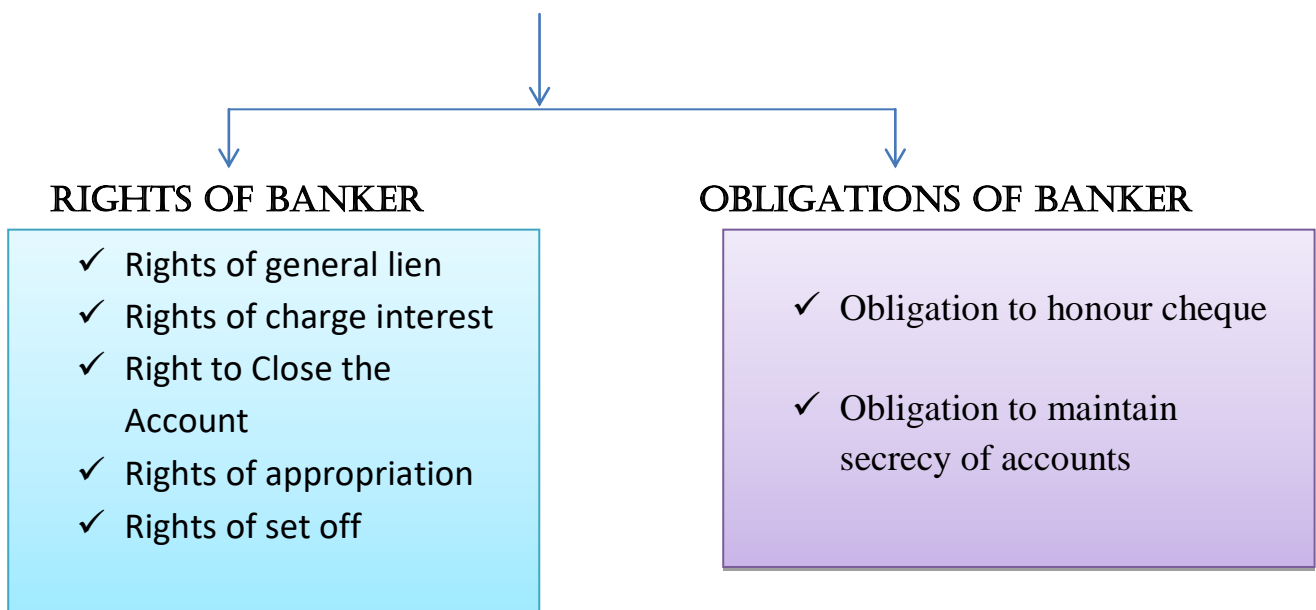
- ✓ When a bank giving loan against on LIC and bills, he becomes assignee and customer is the assignor.

So,

- ✓ ASSIGNEE – BANKER.
- ✓ ASSIGNOR – CUSTOMER.

### Special rights and obligation of banks:

#### RIGHTS OF BANK & OBLIGATIONS OF BANKER



## OBLIGATIONS OF BANKER:

### Obligation to honour cheque:

- ✓ Each and every banker is responsible to give and honor cheque to a customer, when they are having sufficient amount of funds in his hand.
- ✓ Once customer becomes an account holder immediately banker need to honor the customer with the cheque.

### Obligation to maintain secrecy of accounts:

- ✓ The banker **should not disclose** the any customer accounts details to anyone.
- ✓ Banker needs to **maintain** all the **customer details secretly**.

## RIGHTS OF BANKER

### 1. Right of General Lien

- ✓ One of the most important rights enjoyed by a bank is the right of general lien.
- ✓ General lien means “**to retain of the goods**” till the **payment of loan or debt**.

### 2.Right to Charge Interest and Commission

- ✓ The bank has the implied right to charge the **interest on loans**.
- ✓ And also to charge commission for services rendered by the bank, **such as SMS notification service**.

### 3. Right to Close the Account

- ✓ When the customer **account is not being operated properly**, it may close the account by sending a written intimation to the customer.

### 4. Right of Appropriation:

- ✓ A customer may have **several loans in the particular bank**. When the customer pays some money in the bank without specific instructions. The bank

has the right to **adjust the paid amount to any loan**, even to a time barred debt.

- ✓ But the **banker must inform** the customer about the appropriation.

#### **5. Rights to set off:**

- ✓ Rights to combine the accounts.
- ✓ Banker has the rights to **combine** and **merge** the both **saving account** and **debts or loan account**.

#### **PROCEDURE FOR OPENING OF AN SAVING ACCOUNT**

- ✓ Customer need to fill **know your customer form (KYC)**.
- ✓ Customer need to put **signature**
- ✓ The bank must get **3 passport size photographs**.
- ✓ Need to submit **name** and **address proof**.
- ✓ The bank should verify all the **proofs**
- ✓ Customer needs to **Rs. 500 to 1000** for opening a new account.

#### **Role of banks in the development of Indian economy**

- ❖ **Promote agriculture**
- ❖ **Promote saving habits**
- ❖ **Promote the business & industries**
- ❖ **Promote employment**

#### **Promote agriculture:**

- Bank plays an important role in promoting agriculture by giving variety of loan to the farmers.
- This loan given to access **agriculture machine bore well, seeds, pumps, and current purpose**.

#### **Promote saving habits:**

- Bank encourages the public to **open saving account** and promoting their saving habits.
- And all the bankers **providing** certain **interest** for their savings also.

#### **Promote the business & industries:**

- Bank encourages the industry and business people to open the **current account for business transactions**.
- With this current account bank provides **loan to promote their business** up to large level.

#### **Promote employment:**

- Banking provides **employment opportunities** to the public. And it is giving **open employment** to the people without any partiality. Therefore it is **promoting employment rate** in Indian economy.

### **UNIT 3**

#### **Meaning / Define cheque:**

1. Cheque is a negotiable instrument used to make payment – Edward.
2. Bank Cheque or Cheque is a writing order addressed to bank to pay on demand a certain sum of money to a person or to an account. Cheque is used to make safe and convenient payment.
3. "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."

#### **Parties of cheque:**

- **Drawer (Maker of Cheque)** – The person who issues the cheque or hold the account with bank.
- **Drawee** – The Person who is directed to make the payment against cheque. In case of cheque, it is bank.

- **Payee** – A person whose name is mentioned in the cheque or to whom the drawee makes payment. If drawer has drawn the cheque in favour of self then drawer is payee.

### Specimen of cheque:



### FEATURES OF CHEQUE:

#### It must be in writing:

- A cheque must be in writing. It can be written in ink pen, ball point pen, typed or even printed. Oral orders are not considered as cheques.

#### Cheque must be signed by customer

- A cheque must be signed by customer (Account holder) . Unsigned cheques or signed by persons other than customers are not regarded as cheque.

#### Cheque must be Dated:

- A cheque must be duly dated by the customer of bank. The cheque must indicate clearly the date, month and the year.

#### Validity:

- A cheque is normally valid for six months from the date of written.

#### It must be an order:

- The cheque must contain an order to pay. There should not be any courtesy word like please, kindly etc..

### **Cheque must mention exact amount to be paid**

Cheque must be for money only. The amount to be paid by the banker must be certain. It must be written in words and figures.

### **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.

### **Cheque has 3 parties: Drawer, Drawee & Payee**

- **Drawer** : A drawer is a person, who draws a cheque.
- **Drawee** : A drawee is a bank on whom a cheque is drawn.
- **Payee** : A payee is a person in whose favour a cheque is drawn.

## **MARKING OF CHEQUE**

### **Define or what is Marking of Cheque?**

- ✓ A check marked 'good for payment', sometimes by means of a special stamp, and guaranteed by the bank on which it is drawn.

### **Different Kinds / Types of Cheques or marking of cheque:**

#### **1. Bearer Cheque**

- If the words of “bearer” appear on the cheque it is called as bearer cheque.
- When the customer sending some other third party with cheque to bank for withdraws purpose, that time bearer cheque is used.

#### **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

The image shows a standard order cheque from HDFC Bank. The payee is ANKIT SHARMA. The amount is written in words as 'Thirty Seven Thousand Only /-' and in figures as '₹ 37,000/-'. The cheque is payable to the order of the bearer. The account number is XXXXXXXXXXXX. The date field is empty. The text 'Payable at par through clearing/transfer at all branches of HDFC BANK LTD' is visible. There is a signature line at the bottom right.

### 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

The image shows a crossed cheque from HDFC Bank, identical to the order cheque but with two parallel red lines drawn across the top right corner. A red arrow points to these lines. The rest of the cheque details (payee, amount, account number) are the same as in the order cheque.

### 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.
- If the cheque is given after expiry date that mentioned is called as 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.



## Open Cheque:

When a cheque is not crossed, it is known as an “Open Cheque” or an “Uncrossed Cheque”.

## Ante Dated Cheque

The image shows a sample of an HDFC Bank Ante Dated Cheque. The key details are:
 

- Bank:** HDFC BANK
- Payee:** ANKIT SHARMA
- Amount:** Thirty Seven Thousand Only /- (₹ 37,000/-)
- Date:** 12/11/2017 (highlighted with a red box and arrow)
- Account No.:** XXXXXXXXXXXXXXXXXX
- SB AC:** XXXXXXXXXXXXXXXXXX
- Authorized Signatory:** A box for the signature.

## DISHONOUR OF CHEQUE OR REFUSE TO HONOUR CHEQUE:

- If the cheque is overwritten.
- If the signature is absent or the signature in the cheque does not match with the specimen signature kept by the bank.
- If the amount written in words and figures does not match with each other.
- If the account number is not mentioned clearly or is altogether absent.
- If the court of law has given an order to the bank to stop payment on the cheque.
- If the fund in the bank account is insufficient to meet the payment of the cheque.

## DIFFERENCE BETWEEN CHEQUE AND DEMAND DRAFT

S.NO	CHEQUE	DEMAND DRAFT
1.	A cheque can bounce due to insufficient balance.	DD cannot be dishonored as the amount is paid beforehand.
2.	A cheque needs signature to transfer amount.	While DD does not require signature to transfer funds.
3.	The bank may not charge for issuing the cheque book.	The bank charges a nominal fee or commission to issue a draft.
4.	Cheques are very common and popular mode of payment.	Drafts do not enjoy much popularity as compared to cheques.
5.	Drawn by customer	Drawn by one branch to another branch.
6.	Cheque is only for account	DD will be given to all.

	holder	
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### DIFFERENCE BETWEEN CHEQUE AND BILL OF EXCHANGE

S.NO	cheque	Bill of exchange
1.	Cheque is written on bank	It is written on any person
2.	No grace days	3 days of grace
3.	No stamp	It must be stamped
4.	There must be sufficient amount	No sufficient balance necessary
5.	It is cannot be discounted	Can be discounted
6.	Can be crossed	Cannot be crossed
7.	It can be done in counter	Cannot be done in separate counter

## Unit 4

### What is Endorsement?

- When the transaction is completed in bank, the banker give approval for that transaction by signing is known as endorsement. The person who is putting sign in that document he/she is known as endorser.
- An endorsement is a statement or action which shows that you support or approve of transaction by exploring in banker sign.
- When transferring ownership rights from one person to another person, they need to put sign for transferring approval is known as endorsement.

### What is Allonge?

- Allonge is a sheet of paper attached to a bill of exchange for the purpose of documenting endorsements.

### Types or Kinds of Endorsement

#### a) Blank / General -

An endorsement is said to be blank or general when the endorser puts his signature only on the instrument and does not write the name of anyone to whom or to whose order the payment is to be made.

**Example: pay to (-----)signature**

#### (b) Full / Special -

An endorsement is 'special' or in 'full' if the endorser, in addition to his signature also mention the name of the person to whom or to whose order the payment is to be made.

**Example : pay to rajan (signature)**

#### c)Partial endorsement:

- An endorsement is said to be partial when an instrument is endorsed only for a part of amount is known as partial endorsement.
- **Ex: Mr. prasath keeps a bill for Rs. 10,000 out of which he would like to endorse RS. 7000 to MR. Karthi.**

**d) Restrictive endorsement:**

- If the writers mention the word “only to this or that person” is known as restrictive endorsement.
- Restrictive endorsement seeks to put an end the principal characteristics of a Negotiable Instrument and seals its further negotiability.
- **Ex: pay to selvan only**

**e) Conditional Endorsement:**

- When the endorsement is done subject to the fulfillment of a condition, it is called Conditional Endorsement.
- For example, "Pay to Mr Smith or order after his return from Germany".

**f) Facultative endorsement:**

- When the endorsee must give notice of dishonor of the instrument to the endorser.
- Facultative means “ **notice of dishonor of instrument**”

**g) Sans recourse and sans fraise:**

**Sans recourse:**

- if the endorser free from risk and any liabilities is known as sans recourse.
- Sans recourse means “without recourse to me”

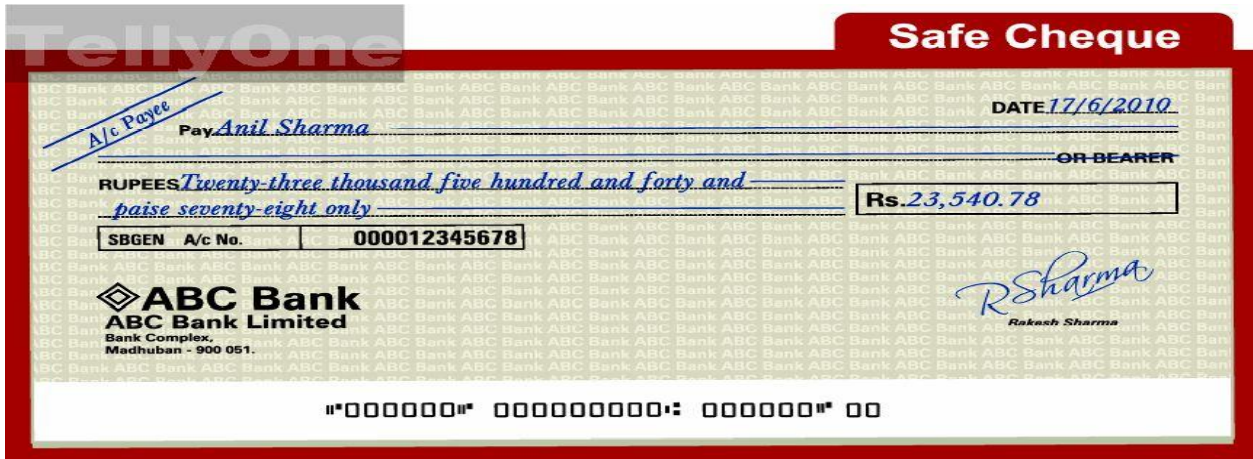
**Sans fraise:**

- If the endorsee does not willing to bear any expenses is known as sans fraise.

## **Crossing**

### **What is crossing?**

- Crossing of a cheque means "**Drawing Two Parallel Lines**" across the **face of the cheque.**
- Crossing of Cheques means **to draw two lines transverse parallel on left hand corner** of the cheque

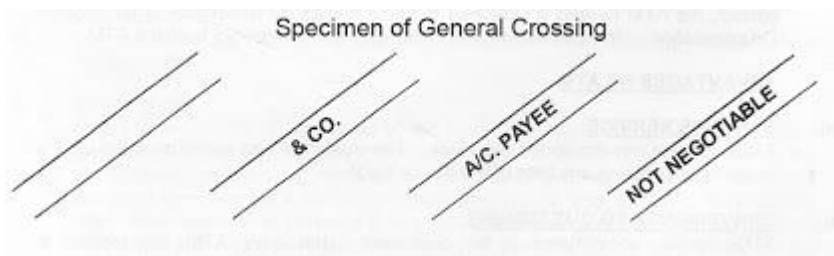


### Types of crossing:

#### General Crossing :-

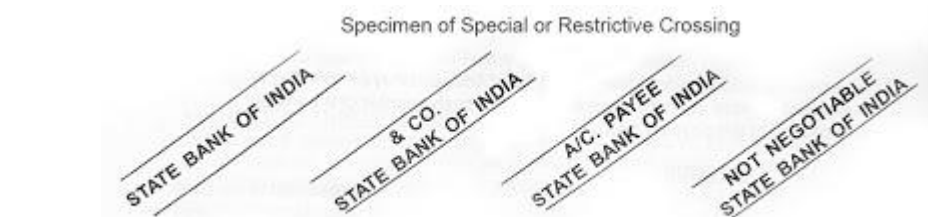
Generally, cheques are crossed when

- There are two transverse parallel lines, marked across its face or
- The cheque bears an abbreviation "& Co." between the two parallel lines or
- The cheque bears the words "Not Negotiable" between the two parallel lines or
- The cheque bears the words "A/c. Payee" between the two parallel lines.



#### Special or Restrictive Crossing :-

When a particular bank's name is written in between the two parallel lines the cheque is said to be specially crossed.



#### Not negotiable crossing:

- Where a cheque contains the word of “not negotiable” is known as not negotiable crossing.

**Account Payee Crossing:**

- Where a cheque contains the word of “account payee crossing” is known as not account payee crossing.

**Account Payee**

**Account Payee**

**Account Payee**

**Double crossing:**

- When a cheque bears the name of two separate bank is called double crossing.

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**Union Bank of India**

**To**

**State Bank of India**  
**"As Agent for collection"**

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**Opening of crossing:**

- Cancellation of crossing is called opening of crossing.

**Obliterating a crossing:**

- Erasing the crossing of a cheque by a person in known as Obliterating a crossing

**Who may Cross a Cheque [Sec 126]**

1. Drawer
2. Holder
3. Banker



## UNIT 5

### TECHNOLOGICAL DEVELOPMENT IN BANKING

## UNIT V

### RECENT TRENDS IN BANKING SERVICES:

- ✓ Online Tax Payment
- ✓ Corporate internet banking
- ✓ Online Shopping
- ✓ Online bill payment
- ✓ Customer care facility
- ✓ Phone Banking

### MODERN SERVICES OF BANKS:

The following modern services in banks:

1. ATM
2. Credit card
3. Debit card
4. Green card

### ATM

- ATM – Automatic Teller Machine:
- Computerized Tele Communication
- A machine that dispenses cash or performs other banking services when an account holder inserts a bank card.

### Automatic Teller Machines (ATM):

- ATM called electronic equipment allows card holdings customers to perform routine banking transactions **without** interacting with a **human teller**.
- It offers a range of services of modern banking namely **deposit taking, cash withdrawal, and account balance verification** etc.. with the help of **Personal Identification Number (PIN)** system.

## **FUNCTIONS OF ATM:**

- ✓ View A/c balances
- ✓ Transfer funds b/w accounts
- ✓ Deposit cash or Cheques
- ✓ 24access to cash
- ✓ Change your PIN

## **Advantages & disadvantages of ATM or Merits & Demerits of ATM.**

### **MERITS:**

- ✓ Withdraw cash at any time/day/night
- ✓ Withdraw cash at any bank that is part of the system
- ✓ Money safe(PIN)
- ✓ Speed transaction
- ✓ Clear statement

### **DEMERITS:**

- ✓ ATM May be Off –line (system down)
- ✓ Forget PIN no
- ✓ Risk of Robbery
- ✓ Break down/run out of cask

## **CREDIT CARDS:**

### **INTRODUCTION:**

- Introduced In 1887.
- Introduced By Edward Bellamy
- 1<sup>ST</sup> Card Introduced In 1920's In US

### **MEANING OF CREDIT CARD:**

- (Buying on Credit)
- A Credit card is a payment card issued to users as a system of payment .( Annual fee interest /have to pay)

**CREDIT CARD=BUY GOODS NOW PAY LATER**

**ADVANTAGES:**

- **Convenience:**Reduces the need to carry cash.
- **Record keeping:**Track or Expenses.
- **Large purchase:**Abroad purchase.
- **Instant Cash:**Cash advantages are quick.

**DISADVANTAGES:**

- ✓ Over use
- ✓ Credit card can be stolen.
- ✓ Bigger charges
- ✓ Un expected fees
- ✓ Paper work (save your receipt and check or statement each month)

**DEBIT CARD:** /Bank card / Check card

**INTRODUCTION:**

- Introduced in 1970 by corporation bank

**What is debit card?**

- “Plastic card – provides a alternative payment method to cash when making purchases.”
- a card issued by a bank allowing the holder to transfer money electronically to another bank account when making a purchase.

**Difference between credit and debit card**

<b>CREDIT CARD</b>	<b>DEBIT CARD</b>
Money is barrowed from a bank. The customer has to payback the amount of fixed rate of interest by specialized date.	Debit card are linked to the A/c hold, directly deducted from own bank account.
<b>PAY PERIOD</b>	
Pay later product	Pay now product
<b>CREDIT PERIOD</b>	

The card holder can avail of credit for 30 – 45 days.	Customer A/c is debited immediately.
<b>RISK</b>	
Possibility of risk of fraud is high.	Risk is minimized through PIN.
<b>CREDIT LIMIT</b>	
Depends on the credit limit assigned by the bank.	Depends on the funds in your A/c
<b>CONNECTION</b>	
Connected to any bank A/c	Connected to current A/c (or) savings A/c

### **GREEN CARD:**

#### **Meaning:**

- It is a card will be given to farmers for agriculture purpose.
- Minimum age to get this card is 18 years and Maximum age – 75 years
- Introduced in the Year : 1998 – 99
- Introduced by Finance Minister : YASHWANT SINHA
- This card Valid for 5 years dependent on the annual renewals.

#### **AIM :**

- Purchase of seeds,
- Purchase of fertilizers,
- Purchase of pesticides

#### **Term loan :**

- (up to Rs.3 lac – crop) per annum 9% interest.

#### **OBJECTIVES:**

- ✓ Post harvest expenses.
- ✓ Produce marketing loan.
- ✓ To meet short term credit for cultivation of crops.
- ✓ Investment credit for pump sets, prayers and dairy animals.

### **ADVANTAGES:**

- ✓ Timely credit to farmers.
- ✓ Reduced interest burden.
- ✓ Flexibility to draw cash.
- ✓ Minimum paper work.(Documentation)
- ✓ Single credit facility.

### **HOW IT WORKS:**

Credit card → Pass book, name, address, particulars of land holding, borrowing limit, validity period, passport size photograph of holder.

### **GREEN CARD FACILITIES GIVEN BY THE BANK:**

- ✓ Co-operative banks.
- ✓ Bank of India.
- ✓ Allahabad bank.
- ✓ SBI.
- ✓ Bank of Baroda.

Green card = To provide timely credit to farmers.
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