

Banking practices

Unit - I

1. What do you mean by banking?

Banking is an industry that handles cash, credit, and other financial transactions. Banks provide a safe place to store extra cash and credit. They offer savings accounts, certificates of deposit, and checking accounts. ... Bank loans and credit mean families don't have to save up before going to college or buying a house.

2. What is banking in simple words?

In simple words, 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.

3. Definition of banking

An establishment authorized by a government to accept deposits, pay interest, clear checks, make loans, act as an intermediary in financial transactions, and provide other financial services to its customers.

4. Meaning of central banking

The bank is called the apex bank in a country. This bank is also known as central bank entrusted with the task of controlling, guiding and regulating the entire banking system and structure in the country. It is owned by the Govt. and help in deciding the monetary and credit policies in the best interest of the country.

The central Bank is Government' Banker, maintains revenue and expenditure records of Govt. under different heads, helps govt. to decide rate of interest. The central bank regulates and issues currency performs banking services to all other banks and in case of need extends loans to banks on reasonable rates.

5. Meaning of commercial banking

As is clear from the name a commercial bank is one that functions like commercial company with a view to earn profits. Usually a commercial bank is an establishment which deals in money, – receiving it as deposits from customers, honouring customers drawings against such deposits on demand. Collecting cheques for customers and lending or investing surplus deposits until they are required for repayment.

Unit – II

1. What do you mean by banker and customer?

Banker & customer. ... 'The term banking' has been defined as 'accepting' for the purpose of lending or investment of deposit of money from the public payable on demand or withdraw able by cheque, draft or order. 3. Customer A customer is a person who has some sort of account, either deposit or current account, with the banker.

2. Banker Customer Relationship.

The legal relationship between a customer and the bank is based on contract and is generally classified as a debtor-creditor relationship. This means that when a bank or other type of ADI accepts money from a customer it does so as a borrower on terms that may be implied.

3. BANKER AND CUSTOMER RELATIONSHIP DEFINITION

According to sec 5(c) of the Banking Regulation Act 1949, a banker is a person who undertakes business of banking. Banking means accepting deposits from public, for the purpose of lending, repayable on demand or otherwise with drawable by cheque, draft, and order.

4. Meaning of customer

A customer means a person who seeks to open account which banker accepts with proper introduction. The relationship is not based on frequency of transactions, and durations.

5. Features of bank or banker

- Receiving money and collecting drafts.
- The obligation of honoring cheques drawn upon them, making payments across the counter on demand.
- The main line of activity of the organisation should be banking

Unit – III

1. Meaning of Cheque:

A cheque, or check (American English; see spelling differences), is a document that orders a bank to pay a specific amount of money from a person's account to the person in whose name the cheque has been issued.

2. 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."

3. What are the 3 parties to a Cheque?

"A check typically involves three parties, (1) the drawer who writes the check, (2) the payee, to whose order the check is made out, and (3) the drawee or payor bank, the bank which has the drawer's checking account from which the check is to be paid.

4. What is marketing of a Cheque?

'Certification' or marketing' of a cheque means a written undertaking by the drawee banker that the cheque will be honored when duly presented for payment. It is done by writing the words 'Good for Payment' on the cheque. ... The drawer also has no right to countermand or stop payment of a cheque marked good.

5. What is Honour of Cheque?

Phrase if a bank honors a cheque, it agrees to pay the amount of money written on the cheque to the person the cheque is written to.

6. What is wrongful Dishonour of Cheque?

Wrongful dishonor refers to a bank's failure to honor a valid negotiable instrument, such as a check or draft that has been presented to it for payment.

Unit – IV

1. What is meant by crossing of Cheque?

A crossed check is any check that is crossed with two parallel lines, either across the whole check or through the top left-hand corner of the check. This symbol means that the check can only be deposited directly into a bank account and cannot be immediately cashed by a bank or any other credit institution.

2. Definition of crossing of Cheque?

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.

3. What are the types of crossing of Cheque?

Let us learn about types of cheque crossing in greater detail.

- General Cheque Crossing. ...

- Special Cheque Crossing. ...
- Restrictive Cheque Crossing or Account Payee's Crossing. ...
- Not Negotiable Cheque Crossing

4. Why is endorsement of Cheque done?

The act of signing the check is considered an endorsement, which serves as proof of the payer's intent to transfer funds to the payee. In a financial transaction where one party gives a check to another, the payee named on the check must endorse the check before it is cashed.

5. Meaning of 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.

Unit – V

1. What are the banking services?

Banking services which are regarded as retail include provision of savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards. Retail banking is also distinguished from investment banking or commercial banking.

2. What are the modern banking services?

Modern Banking Services. 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.

3. Explain - ATM

ATMS (AUTOMATED TELLER MACHINES) are virtual banking systems that gives the customer an inlet into major banking facilities without the involvement of any other human on the reverse end. The machines are installed at many locations across the globe to deposit and withdraw money.

4. Explain - Credit Cards

These are cards made out of plastic that have a microprocessor chip embedded on one side of the card and a magnetic strip on the other. It contains the name of the account holder and the validity and account number for the card.

Basically, a credit card is used to take loans in small amount from a banking facility that are paid later as bills. They act as a replacement for cash. Banks charge a small interest for their credit facility.

Credit Cards store a lot of information that are housed in the three main layers of credit cards. All the information is encoded in such a way that it is encoded by the use of a PIN provided to the customer.

5. Explain -Debit Cards

The version of plastic money which enables you to extract money from your own bank account through the use of some credentials contained in a card instantaneously are called Debit Cards. **Debit cards** were introduced for Electronic Fund Transfer at Point of Sale (EFTPOS) system.

When using credit cards, the delay between the time of purchase and the time that funds are debited to the account varies according to the bank and it is pretty large. This is not the same when using a debit card. No additional charges are recovered when money is taken from the bank accounts.