

Syllabus -

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Simple Banking Operation

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Introduction

The word 'Bank' is not original word of english language. It is taken from latin language. There are three words 'Banque', 'Bancus', 'Banco' which are available in the latin language. The meaning of these words is sitting on bench. So from these three word the new word is constructed in english language that is "Bank."

Meaning of Bank, Banker and Banking

1. **Bank** - Bank is an institute, firm, office doing banking business.
2. **Banker** - Banker is a person, manager who manage the banking business. He is the head of the bank.
3. **Banking** - It is a business of banking taking deposits of money and granting loans for lending or investment purpose.

Definition of the Bank - As per banking regulation Act 1949

Bank is accepting deposits for the purpose of lending or investment of the money from public, repayable on their demand by cheque or demand draft or any other bank instrument. It is called Bank.

A Bank is an institution which collect money from those who have it to spare or who are saving it out of their income and rent this money to those who have required it.

Functions of the Bank

Functions of commercial bank: There are two types of Functions of commercial bank.

1. Primary functions: Primary functions means main functions of the commercial bank. That functions are based on banking business. In modern banking these functions are measure part of the income of the commercial banks. In Primary functions of commercial bank as follows :-

- 1) To accept deposit of the money
- 2) Granting loans and advances
- 3) Credit creation

1) To accept deposits of the money - To accept deposits of money means bankers takes the deposits from public in the form of money. The nature of the functions that to take the deposits from the public in various kinds of bank accounts.

Example. Saving deposit, current deposit, fixed, recurring deposit. Bank take the deposits from the person who is ready to keep his balance in his account so bankers take the deposits in that various kinds of bank accounts and it is the important function of commercial bank. Bank takes care of these deposits and return that site on the demand or to complete the specific period of time.

2) Granting loans and advances - It is the second primary function of bank. Banking is the accepting deposits of the money for lending and investment purpose of. The nature of the function is that bank sanction and give certain amount as a loan to their customer. Customer take their loan for productive purpose. There are various types of loans and advances.

- 2) Bank overdraft facility
- 3) cash credit
- 4) Secured and unsecured loan
- 5) discount of the bills
- 6) Personal loan

Bank sanction anyone type of loan to the customer. It is for productive purpose. The loan amount is given by the bank for specific period of time. Bank also recovered loan amount by installment from the customer month to month so this function is called Granting loans and advances.

3) Credit creation - Credit creation is the third primary function of the commercial bank. Banking is taking deposit of money from public for lending and investment purpose. It means there are two important function of the commercial bank that is

- 1) To take deposits of money
- 2) Granting loans and advances

Credit creation means this two functions combine effect on credit creation the function is joint function of all the commercial banks. Credit creation means deposit create loan and loan create deposit. Bank collect the deposit from the public in various types of account those who are ready to keep money in the bank. Bank take use of the account balance for granting loans for advance but grant the loan to the needy person in this way deposit creates loans. Bank grant loan to the person for productive purpose one person expenditure means income of the other person those who get the income they keep their balance in the bank in this way bank get the deposit from the public that is called deposit which is come from

and this process is continues going in the banking business so that process is called credit creation.

2. Secondary function - Along with the primary functions commercial bank provides some services for attraction of the customers towards the bank. There are two types of secondary services provided by the bank to their customers.

1) Agency Services

2) Utility services

1) Agency Services - Banks provide agency services to their customers. An agent means the person or a party who work for other on behalf of customer which services provide by the bank as an acting agent or representative that services are called agency services of the bank. That services are given as follows :

1) collection of regular income and to give regular payment.

2) collection and payments of the negotiable instruments.

3) Remittance of money

4) Trustee Services

5) Executer Services

6) sell and purchase of the securities.

2) utility Services - There is a certain needs the person. Bank consider needs of the customer and provide useful services to their customer that services are called utility services of the bank.

1) Safe custody service

2) safe deposite vaults - Locker facility

3) To issue letter of credit and traveller

4) To deal with foreign exchange

5) Acting as a referee

Simple Banking operation

How to open Saving Bank account and current account?

Saving Bank Account opening procedure :-

Suppose one person want to open saving deposit account in the Bank so he takes following steps for opening the Bank Account.

Requirement to open the saving account -

1. To take first deposit of ₹ 1,000

2. True copy of the identity card

e.g - Adhar card

Pan card

Driving license

Passport

3. True copy of Residential documents

e.g - Light bill

Phone bill

Reshan card

4. Two passport size photos

To open the saving bank Account following steps adopted to open the account :-

1) To give visit to the bank - First of all person give visit to the nearest bank branch. He entered in the bank and request to the bank officer that he wants to open saving deposit account with his name so he need the bank permission.

2) Bank officer demand to verify the documents - Bank officer demanded following document from that person who is going to open saving bank account :-

Adhar card, Pan card, Driving license, passport, light bill, phone bill, Reshan card, etc.

permission to open the account. Bank officer give set of the account opening application form which contain the following things :-

- i) Account opening application form
- ii) Specimen signature card
- iii) Pay - in slip
- iv) Nomination form

3) To take account opening application form - It is a bank printed form used for to open saving or current account. There are certain particulars and columns given in the account opening application form.

For e.g - Name of the account holder, Address, Date, place for passport size photo, contact number,

There are also some additional particulars given in the form. For e.g - Type of the account, specimen for signature, witness column, introduction column, nomination column and lastly signature of the applicant. A person read out all the particulars and fill up it.

4) To Give introduction - There is a one column on Account opening application form. Bank take introduction of New account holder. old account holder give introduction to New account holder but he must be known to that account holder. In introduction Bank take signature, Account number, address and Name of the old account holder. In this way Bank take introduction of the account holder.

5) To complete Nomination column - Bank take nomination from the account holder. The information about the nomination is like full name of the nominee, address, present age, business, and relation with applicant. The Nomination is

after the death of the account holder.

- 6) To Give specimen signature - signature card is one that is used in the bank for the purpose to identify the account holder. There are certain particulars given in the signature card. For e.g - Account number, name of the account holder, address, contact number, date and lastly space for three signatures of the account holder. Bank officer told to that account holder that is this is your signature card and you must put this signature at the time of doing any transactions in the bank. Bank can identify you by this specimen signature card. If there is a difference bank can dishonour the transaction. In this way person give its specimen signature card to the bank.
- 7) To Give witness - lastly the person read out the form and he put his own signature as a applicant with witness of the two persons. Major two persons write their names and give their signature stated that In our presence applicant sign the form. In this way account opening application form is completed.
- 8) To Take paying slip - Paying slip is a slip which is used in the bank for the purpose to deposit money or cheque in the bank account.
- There are two parts of paying slip
- i) Main part
 - ii) counter foil
- There are certain particulars on both side part of the slip.
- for e.g - Name of the account holder, date, account number,

signature of the cashier, denominate of the notes, etc. these particulars are given on both part of the slip. The person who want to open the saving account he read out all these particulars and fill up it. In this way he complete the paying slip.

9) Working of the bank officer - Bank officer verify the account opening application form either the person complete the form or not bank officer verified all the particulars given on the saving account opening option form like introductory signature of the account holder address contact nomination column specimens signature could signature of the witness with the name of bank officer also verified the copies the documents lik ID Proof, Adhar card, residential proof, phone bill, Passport size photo, PAN card, Passport, light bill, lastly bank officer permitted to deposit first balance of the cash counter.

10) To deposit first balance / Working of the cashier - Then the account holder give his application form and paying slip to the cashier for depositing his first balance in the account. The cashier take the paying slip and verify all the particulars filled up by the account holder on both part of the paying slip, cashier make sure about either the account holder give the cash as per denomination. Cashier verified the cash and he put a rubber stamp "cash received" on both part of the paying slip. cashier cut the counter foil and give to the account holder and main part of the paying slip forward to the bank officer with application form cashier writes the credit entry in his cash book.

11) Bank officer verified main part of the paying slip. He also

deposit the amount of ₹ 1,000. Then the bank officer sends the application form towards ledger keeper (clerk) for opening the accounting.

- 12) Working of the ledger keeper - ledger keeper maintain ledger of the saving account. Ledger keeper open the ledger of the saving account. He give one account number to the new account holder. He writes full name and address on one page of the ledger. He also write the credit entry of 1,000 Rs. Ledger keeper pasted passport size photo on the ledger. He also prepare one small book that book is called Passbook.

In this way ledger keeper files the account opening application form. Ledger keeper prepare the passbook and give it to the account holder. In the next day account holder takes passbook with new account number from ledger keeper. In this way account holder open the saving deposit account. So these some steps are adopted under account opening procedure.

Account operating procedure of Saving account :

To operate the saving bank account means that to deposit money in the bank and how to withdraw the money - from the bank account it is called account operating procedure.

- 1) To deposit money in the account :-
- ii) Suppose account holder want to deposit the money in his account. There are some steps to deposit money in bank account.
- i) Account holder already open saving deposit account in the bank so he want deposit of ₹ 5,000 in his saving bank account. He take his passbook and some

- ii) When he entered in the bank he will take paying slip for the purpose to deposit money in saving bank account. There are two parts of the paying slip
1) Main part and 2) counter foil.
- iii) There are certain particulars on both part of paying slip.
Eg. Name of the account holder
Account number
Account type
Signature of depositor
Paying amount in words and figure
Contact no.
signature of cashier
In this way account holder complete the paying slip and go to the Cashier for depositing the money.
- iv) Then the account holder give paying slip and passbook to the cashier with sum of 5,000 Rs. cashier take the paying slip and verified all the particulars written by the account holder cashier also verifies the denomination of the notes either the depositor give cash as per column of the denomination. If the cashier satisfied he put a rubber stamp "cash received" on the both part of the paying slip.
Cashier writes the credit entry in his cash book then he sends main part of the paying slip towards bank officer and counter foil to the account holder.
- v) Bank officer verify the all particulars of the main part of the slip then he writes the credit entry in customers ledger. Bank officer send the main part and passbook towards ledger keeper.
Ledger keeper open the ledger of the account holder. ledger keeper writes the credit entry in the passbook of the

depositor. ledger keeper files the main part of the slip. Bank officer sign the entry in the passbook and then passbook is given to the account holder.

So these are some steps adopted under to deposit money in the saving bank account.

2. To Withdraw money from the saving bank account.

To withdraw money from the account means to take money from your account. There are some following steps adopted by the Account holder.

- a) Firstly account holder take his passbook of his account. He must confirm that is there sufficient balance in his account then he give visit to the bank.
- b) When the Account holder entered in the bank he take withdrawal slip. Withdrawal slip is slip which is used to withdraw the money from the account.
- c) There are certain particulars on withdrawal slip.
 - Ex. Name of the account holder
 - Date
 - Signature of the depositor
 - denomination of the notes
 - Account number
- d) Account holder writes all these particulars of the withdrawal slip and he put his signature on front side of the withdrawal slip. In this way A/c holder complete the withdrawal slip and give to the ledger keeper. Ledger keeper takes the withdrawal slip. He verify the all the particulars of withdrawal slip written by A/c holder.

The token number on backside withdrawal slip and give to the A/c holder. A/c holder wait for some minutes.

- f) ledger keeper sent the withdrawal slip towards bank officer tally the account holder's signature with specimen signature and if there is any difference in the signature bank officer can refuse the payment. Bank officer identifies the A/c holder and then he sent the withdrawal slip towards ledger keeper.
- g) ledger keeper takes the ledger of saving account holder. He confirms that there is sufficient balance. ledger keeper can dishonour the slip and return to the customer. ledger keeper writes the entry in the ledger of A/c holder. The ledger keeper sent the withdrawal slip and passbook towards bank officer.
- h) Bank officer writes the debit entry in his ledger then he puts a rubber stamp pay cash on withdrawal slip with his signature then he sent withdrawal slip towards cashier.
- i) Cashier announces the name of the account holder and called the token number.

Account holder gives his token number

To cashier confirm his token number on the backside of the slip then the cashier counts the cash. cashier writes the particulars of the cash on backside of the withdrawal slip.

Cashier writes the debit entry in his cash book. Cashier gives the cash to the account holder with his passbook then cashier sends the withdrawal slip towards ledger.

In this way account holder get the payment from his saving account it is called withdrawal procedure from the account and it is one part of the how to operate saving account.

2. Various kinds of Bank Accounts

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Introduction

Banking is the taking deposits of money for lending and investment purpose that are refundable on their demand or over the time by cheque, by demand draft or any other bank instrument like withdrawn slip and cheque book. As per this definition Bank accepts the deposit from public at one condition, condition is that deposits are refundable from the bank to their depositors. This condition is called bank liability. So on this basis bank accounts are classified into two parts.

There are two types of the Bank liability :-

1) Demand liability

2) Time liability

on the basis of these accounts are classified as under

1) Demand liability Account :- Saving deposit Account
Current deposit account

2) Time liability Account :- Fixed deposit account
Recurring deposit account

1. Current Deposit Account :-

It is a one example of demand liability account because bank refund deposit as per the demand of the current account holder. Current account is also called running account. Current account will be opened by Businessman, Society, Trust, Company, Funds can open the current account. For minimum constant balance must be maintained by the current account holder i.e. of rupees 3,000 to 10,000. Bank give cheque book facility, ATM card facility, SMS facility, online banking, net banking, etc. In current account there is no any restrictions to withdraw the money or to deposit the money in current account. Bank also gives overdraft facility to current account holder.

Bank may not give interest to current account, but give more transaction to his account. There is no any Passbook facility to Current account holder. Bank give account Statement to current account holder month to month for the purpose to know past transactions of the account.

2. Saving Deposit Account

Saving Deposit Account is one example of demand liability account because account holder can withdraw from his account. As per his need bank refund the deposit on demand of the account holder. Saving deposit account will be open by middle man individual person. Low income group person can open the saving account. The Purpose or object to open this account is to increase the savings. Saving is the part of Present income after making our expenditure which part of the income remains is in our hand it is called saving restriction in saving Bank account. They are some to withdraw or deposit the money in account.

Eg. B

Second example is that Account holder won't of the withdraw big amount he must give a note to a Bank. Bank interest to the saving deposit account holder at the rent of 3% to 6% in this way saving deposit account holder keep his deposit safely. Bank also give cheque book facility, ATM facility, Net banking, SMS facility, etc. In saving account, depositor must be maintain minimum balance.

Time liability

1. Recurring deposit account

Recurring deposit means to repeat again and again here in this account customer deposit the amount again and again for each and every month. Bank return after over given period of time. Any person can open the Recurring deposit account from ₹ 1,000 or more than there is no withdraw in between the period of time. There is no debit column is given in the passbook of Recurring deposit account. Bank pay interest to RD account to interest than saving account to RD A/c. Bank give interest from 7% to 10%. Bank give Passbook to the Recurring deposit account holder.

2. Fixed deposit account :-

Fixed deposit Account is one example of time liability because bank return the deposit to the account holder after over given period of time so it is a one example of time liability. Fixed deposit account is opened by any person. Person deposit minimum ₹ 100 or more than for specific period of time, so it is called fixed deposit account.

Bank issue one receipt that is FD receipt. It is issued by the bank and signed by the two signatures by manager and accountant of the bank. In the fixed deposit receipt there are following contents :-

Name of the account holder

Name of the bank

Maturity Date

Rate of interest

Signature of the Accountant

Amount

Maturity amount

Amount in words and amount in figures

Type of account

signature of the manager

space for lien mark

Signature of the customer.

After over given period of time customer sign the fixed deposit after receipt after maturity. Bank take the receipt and credit the amount in the account of depositor. If the period is less bank give less interest to the depositor because he surrender his deposit receipt. before maturity date. Bank give rate of interest to the depositors from 5% to 10% per year.

Various types of Bank customer

under which account, at the time of opening Banker should take precautions that are called special type of Bank customer.

special type of Bank customer may be as follows :-

1. Joint Account
2. Minor Account
3. Married Women's Account
4. Partnership firm Account
5. Limited company Account
6. uneducated Person's Account.

1. Joint Account - Joint account means saving or current account is open in the name of more than one person. If the bank open the account in the name of two persons or more than. It is called Joint

Bankers Precaution -

At the time of opening the account as a precaution Bank complete all the columns given in the account opening application form. In account opening form there is one column i.e types of customer. In that column account holder must write Joint account.

Bank must take the following precautions while opening the Joint account.

- 1) Who will operate the account
- 2) Who will sign the cheque
- 3) After death of the any person balance payable to either or survival.

As a precaution banker must ask these questions to joint account holder at the time of opening and operate the account.

- 2) **Minor Account** - Minor means the person whose age has not been completed 18 years that person is called minor. Minor can open saving account fixed deposit account and Recurring deposit Account bank open the account in the name of minor but the account is operated by his guardian. Guardian means father, mother or elder brother or sister, etc. Minor can deposit the money in the account but he cannot withdraw money from his account. Minor can withdraw money with the help of his guardian. so this account is called minor account.

Bankers Precaution :- At the time of opening the minor account banker must take following precautions -

- 1) To complete the account opening form with minor column.
- 2) Who will operate the minor account.

As a precaution banker writes the name of guardian of the minor account holder. Bank also take operating instructions in the minor account. So minor account is a special types of Bank customer.

3) Married Women's Account :- Married woman can make a contract with the bank she has the right to open any bank account. She can operate the account independent while opening the married women's A/c Banker must take following Precautions -

At the time of granting loan to the married woman as a precaution if property is owned in her name she has a right to take a loan from the bank. So banker must confirm that she is the owner of the property.

As a precaution bankers never grant loan to the married woman if the property is in the name of her husband. Bank can recover the loan if loan granted to owner of the property. So in this case bankers can not recover the loan from married women. If Property is in the name of her husband so it is called special type of Bank customer.

4) Partnership firm Account :- Sometimes some customers starting business firm. Suppose there are three partners of the Business they started a new firm it is based on Partnership Principle. Each and every partner give shares of the capital to the business. As per their given shares of the capital profit or loss is classified.

At the time of Starting Business all partners issued a stamp document with signature of all partners. That

document is called 'Partnership deed' document. It contains terms and conditions of the business. Partnership deed is a legal document. As per this document Bankers give permission to open the current account in the name of Partnership firm. Bank takes certain precautions at the time of opening the Partnership firm Account they are as follows :-

- 1) Banker should take signature of all the Partners on account opening application form. All the Partners of the firm should be present in the presence of Bank manager or Bank officer.
- 2) As the process of the Bank Account, Bankers must take true copy of the Partnership Deed. Bankers also take all the essential documents at the time of opening the Partnership firm account.
- 3) At the time of opening the account Bank takes special precautions that are
 - i) who will operate the A/c
 - ii) Balance Payable to
 - iii) who will sign the cheque

5) Limited company Account :- company Account is a special type of Bank customer. company is an institution. It is registered in the office of Registrar of the company. As per company Act, there are certain objects of the company for that purpose. company started and registered company can open the current account in the bank. For opening the company Account Bankers take following documents that are listed as under.

Documents :-

- 1) Memorandum of Association

- 2) Articles of Association
- 3) Registration of the company
- 4) Licence of the company
- 5) list of Directors
- 6) True copy of the Resolution about to open the current Account in the bank. That is passed in the meeting of Board of directors.
- 7) Name of the Account operators and their Specimen signature card with stamp.
- 8) In case of the old company true copy of the Balance sheet and Profit & loss A/c of the company
As a precaution Bank take true copy of the documents i.e Attached with the Account opening application form. Bank operate the company Account as per given information by the company as per documents.

3. General Banking Business

3. Banker - customer Relationship

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Introduction

Bank or Banker accepting deposits of the money for lending or investment purpose. Deposit is refundable on their demand by cheque and demand draft or any other bank instrument. The institution is banking and the person is called banker.

Account holder is called Bank customer. The person who open any bank account and when he purchase any banking service that person is called bank customer. Relationship means who is a banker of the customer and who is the customer of the bank under the functions of the bank.

There are some relationship between banker and customer they are as follows -

- 1) Debtor creditor
- 2) Creditor Debtor
- 3) Agent Principal
- 4) Trustee Beneficially
- 5) Bailee Bailor
- 6) Lessor lessee

- 1) Debtor creditor :- Banker become debtor and customer become creditor under the function of the Accepting deposits of the bank.

Debtor is the person who takes debt. Debt means loan. Debtor is not owner of the money but he take use of the money without ownership. So loan taking person is called debtor.

creditor is the person who is owner of the granted money. The person who granted the loan that person is called creditor (Bank).

The nature of the taking deposit of the money is

- for e.g 1) Saving Account
 2) current Account
 3) Fixed deposit Account
 4) Recurring deposit Account

customer open any one account in the bank and keep his balance. They are the owner of the credit balance in the account. Bank hold deposit without ownership. Bank take use of the money. It is called bank take the loan from the account holder. It means that customer grant the loan to the bank. So bankers become debtor and customer become creditor under the function of taking deposit of the money.

2) creditor Debtor (granting loans and advances) :-

Bankers become creditor and customer become debtor under the function of granting loans and advances. Creditor is a party who grant loans to the debtors. They are the owner of the granted loan amount. Debtor is the person who takes the debts so he is not owner of the loan but he take use of the loan amount without ownership.

Under granting loans and advances bank sanction certain amount as a loan to the customer for certain ~~ame~~ period of time. Bank grant the loan only for productive purpose to their customers. So bankers become creditor and customer become debtor under the function of Granting loans and advances.

3) Agent Principal :- Bankers become an agent and customer become Principal under the agency services

An agent means a person or party who manage the business for another and agent is one who carry the services for others that person is called an agent.

Principal is chief person who has power to give orders that person is called customer.

Bank provide agency services to their customers. These services are carried by the customer but on behalf of the customer. Bank carried the services as a representative of the customer. So bankers become an agent and on the otherhand customers become principal under the agency services of the bank.

4) Trustee Beneficially (trustee services) :- Bankers become trustee and customer become beneficially under the trustee services of the bank.

Trustee means the person or a party who maintained confidence of others. Person who has personal qualities like honesty, good character, credibility and who can maintain trust for others. So that person is called trustee (Bank)

Beneficially means the person who get the benefit under this service that person is called beneficially or customer.

The nature of the trustee services is that there are so many customers who have a lot of property but they have no time to manage their property due to social and political work. Such customers need service of the trustee person. The customer have a plan about to manage their property. So he write his plan on paper. He sign the paper and issued in

favour of the trustee person or bank. By this letter trustee is declared, so that letter is called trust letter or trust deed. Bank manage the property as per this letter. It means that bank maintain the confidence and manage the property of the customer.

In this way customer is beneficially and bank is trustee under the trustee services of the Bank.

5) Bailee Bailor :- Bailee means banker and bailor means customer.

This relationship is depend upon safe custody service. It is also called Bailment contract of 1872. It means that customer deposit his valuable things in the bank for safe keeping purpose. This service is based on Bailment contract. Bailment means to delivered valuable things by one person to another person for specific purpose. When purpose is over valuable things return towards customer. There are two parties for this contract.

1) Bailee and 2) Bailor.

1. Bailee :- Bailee is the person or party who take valuables from other person who take care of the valuable things that person is called bailee. In this relationship bailee means bank.

2. Bailor :- Bailor is the person or party who deliver, who transfer his valuable things towards another person for specific purpose that person is called bailor or customer.

6) Lessor Lessee :- lessor means Bank and lessee means customer.

This service is depend upon locker facility or

is based on lease contract lease means rent contract. There are two parties in lease contract that is

- 1) Lessor and
- 2) lessee

1. Lessor :- Lessor is the party or person who make and provide and arrangement for the customers. He can take using cost of the arrangement in the form of rent. In this way rent taking party is called lessor and it is bank.
2. Lessee :- lessee is the person who take use of the services. So rent giving party is called lessee and it is customer.

Duties of the Banker against their customers

- 1) To repayment of the deposit to depositors.
- 2) To honour customer's cheque
- 3) Duty of secrecy

- 1) To repayment of the deposit to depositors :- Bank is the accepting deposits of the money from public for lending or investment purpose that is refundable on their demand by cheque, demand draft or any other bank instruments. It means that bank take the deposits from public at one condition and the condition is that Bankers must repayment the customers deposit.

Bankers complete the demand of the depositor Bankers duty is that there is no any single depositor goes from counter without his deposit otherwise all the depositors demanding their deposit from the bank. so it is the better way for the bankers to complete daily demand of the depositors so it is the primary duty of the bankers.

- 2) To honour customers cheque :- cheque is a bank printed form signed by the Account holder cheque is an order given by the account holder to his bank to pay certain sum of money to certain person or order of the certain person or to the bearer of the cheque. Bankers duty is that to honour customers cheque. This duty is not perfect but it is a qualified duty. There are some conditions for this duty
- 1) cheque must be properly drawn as per bank rule it means that account holder write all the particulars on the cheque.
 - 2) Account holder must put the signature on the cheque as per specimen signature card.
 - 3) There is a sufficient balance in the account of account holder.

So these are some conditions to honour the customers cheque. customer complete all the conditions and bank dishonour the cheque so there is a loss of the customer and it is approved in the court. Court may give order to the bank to give loss of the customer. So banker's must perform their duty with carefully.

- 3) Duty of Secrecy :- Duty of Secrecy is called to maintain secrecy of the account. It is the business duty of the bankers. Day by day public confidence of the bank increasing it is one reason to increase public confidence. Each and every person think that we have money or we have not money these both things may not known to anybody. Bank consider this public tendency. Bank may not state may not give, may not disclose any A/c information

neighbourer or any private institution. It is called bank duty of secrecy. Bank maintain secrecy of the A/c strictly but the following are exceptional cases for this duty.

- a) To the government
- b) To the court
- c) To the Income tax department
- d) To other bank etc.

other than these bank never give Account information to anybody his friend, relative or neighbour. It is called duty of secrecy.

- 1) State particulars of the Passbook?
- 2) What is Passbook?

Pass - Book :-

Passbook is exact accurate true copy of entries in the ledger of saving deposit account. It is a small book prepared and given by bank, to the saving account holder for the purpose to know entries of his account. From time to time bank writes customers entry in his ledger of the account and in the passbook of the customer from ledger of the saving A/c are one and the same to the passbook. So, that is it is true copy of the ledger of the A/c. There are certain particulars on the passbook

for ex - date, particulars, cheque no., debit, credit, account Dr. or Cr. balance, Remark, etc.

Statement of Account :-

Statement of A/c is available only in case of

current account. Statement of account is exact accurate true copy of various entries in the ledger of current deposit account.

There are number of transactions carried by A/c holder through this A/c. current A/c is running A/c. Bank writes all transactions of the customer in the ledger of current A/c and from that ledger bank prepares statements to the customer to know his past transactions. There are certain particulars in the Statement of A/c.

For ex - Date, Particulars, cheque No., debit credit balance, Account Dr. or Cr. and Remark.

There are equal particulars are given to ledger of the current A/c and statement of current A/c so, it is true copy of ledger of the current account.

Termination of the contract :-

Introduction - Termination of the contract means to close the A/c of the customer one inform to other and close the A/c. There are certain reasons given by banker to close A/c of the customer and there are certain reasons give by customer to close his bank account.

- 1) Reasons given by banker to close bank account.
- 2) Reasons given by customer to close bank account.

1) Reasons given by banker to close bank account.

- i) Non-operated Account
- ii) Account is operated not as per banks rules.
- iii) Death of the customer.

- iv) customer lacks of understanding
- v) Insolvency of the customer
- vi) Garnishee order (court order)

2) Reasons given by customer to close bank Account

- i) change in place of business or residence
- ii) Not Satisfied at interest of the bank
- iii) Not satisfied at available banking services
- iv) Loss of faith in the bank
- v) By any reason

1) Reasons given by banker to close bank A/c.

i) Non-operated Account :- Non-operated A/c means if there is a no single entry carried by A/c holder during the period more than 6 months it is called non-operated A/c. It is one reason given by banker to close the A/c of the customer.

ii) Account is not operated as per bank rule :- For each and every A/c there are certain rules at the time of and customer followed the rules at the time of operating the A/c. customer operate the bank A/c as per rules of the A/c.

For ex - For current A/c there is one rule that is a insufficient A/c holder may not give cheque if there is a insufficient balance in the A/c. customer give cheque only in the sufficient balance in the A/c and one customer give cheque to other party bank dishonour the cheque to other there is a insufficient balance in the A/c Bank give notice to the customer not to give cheque in case of insufficient balance in the A/c and customer is not change his tendency

banker close the A/c of the customer the reason is that customer is not operate the A/c as per rules of the account.

iii) Death of the customer -

If the account holder's death event happen and bank get the information, bank close the A/c of the customer. Bank give balance of the A/c to his nominee. The reason is that death event of the customer.

iv) customer lacks of understanding -

Sometime customer lack his understanding it means sometime customer is in good condition and sometime he goes in out of condition he become unknown about what he is doing it means sometimes customer become mad. The better way for the bank is that to close the A/c of such customer and the reason is that customer lack understanding.

v) Insolvency of the customer -

Sometime a customer has the problem like insolvency. Insolvency means bankruptcy. It means customer lack his ability to give payments because he get less and less income and on otherhand his expenditure is increasing and liability to give payment increase too much. In short customer get loss & loss for so many years back, it is called customer's insolvency problem & sometime customer use bank cheque so, bank close the A/c of customer who has insolvency problems bank give reason to close the A/c of the customer as customer has insolvency problem.

vi) Garnishee order (court order) -

Garnishee order means court order when creditor apply in the court with evidence and court give order to the bank to stop withdrawal cheque through A/c of certain person. When court give order to the bank to stop withdrawal from the A/c it is called garnishee order. By the order bank close the A/c of customer stop withdrawal from his A/c and the reason is that the court order.

There are two parties under garnishee order -

- a) Judgement creditor - It means the person or party for whom the order is issued by the court.
- b) Judgement debtor - It means the debtor person whose money is frozen because of garnishee order.

2) Reasons given by customer to close bank A/c

i) To change the place of business or residence -

Sometime customer change his place of business or residence it means customer transfer his business from one place to another place. customer transfer his house from one place to another place and the distance between bank place & new place if that will become greater bank close his account which bank far away from his new place and the reason is that change his place of business or residence.

ii) Customer lack of understanding - Not satisfied at interest of Bank - customer open fixed deposit A/c in the bank & keep deposit in the bank. Bank take deposit so, from A/c holder. Bank take use of the deposit so, bank give using cost of the deposit to the A/c holder it is called interest. There is certain rate of interest

of the bank; Some customer become at bank rate of interest. customer think that bank paid interest on deposit that is very less so, customer become unsatisfied at rate of the interest paid by bank, so he close his A/c and the reason is that customer become unsatisfied at rate of interest paid by bank on deposit.

iii) Not satisfied at available banking services

As For possible bank provide certain banking services to all customer but some customer want to get more services than available.

For e.g- one customer operating his account from last 10 years now, at present he demand to the bank to get locker facility but the locker is not vacant so, bank is not possible to give locker to the customer. The customer becomes unsatisfied so, he close his A/c & the reason is that customer become unsatisfied at available banking services.

iv) Loss of faith on the bank -

Sometime doing daily transaction there is a disturb of the faith of the customer on bank.

For e.g- Doing daily transaction one day customer is very busy he has no time he think that I am owner of the deposit bank give deposit quickly but bank required certain minutes for to tally his signature for identify of the customer and to confirm sufficient balance in the A/c. It require at least minutes.

A/c holder has no time. Bank officer speak loudly. There is disturb of faith of the customer on bank so, he close his A/c.

✓) By any Reason -

There are 4 important reasons that are given by customer to close his bank A/c. Other than these reasons customer can close his A/c by any other reason.

Bankers Rights

1. Bankers lien right means to take to retain, to keep or to take possession of the customer's property by the bank up to the recovery of the bank loan. Bankers grant the loan to the customer by taking any property of the customer.

Ex. 1) Tailor - customer give cloth to the tailor for making the dress. Tailor can hold or retain the dress upto the getting his tailoring cost from the customer. This type of example is called that tailor take the possession of the dress until he get the payment of the dress. It means the tailor have a right to take possession of the dress and after getting the payment of the dress he return the customer's dress.

- 2) Goldsmith - customer give his own gold or ornaments to the goldsmith for making wearing ornaments. He can hold the ornament upto to the time of getting his labour charges from the customer. Customer give labour charges to the goldsmith and he return the ornament to the customer.

Similarly, bank grant the loan to the customer and take property of the customer upto the time of recovery of the bank loan.

If customer is not ready to return the bank loan

bankers can sell the customers property in the market so bankers have a lien right.

There are two types of lien.

a) Particular lien b) General lien

a) Particular lien - Particular lien covers any particular transactions. It will become end or to complete the transaction. Bank is not ready to create particular lien. For ex - If customer take loan against fix deposit receipt and the installment of loan is not recovered by customer so in this condition bank have a right only in his FD A/c not any other A/c of the customer.

b) General lien - General lien covers any general transactions, general due balance, Present, Past and future interest of the bank loan so general lies in more extensive and it is created by the bankers to secure their loans. Bankers lien is an implied pledge.

2. Set of right

Set of right to adjust receipt and payment in daily transactions. Set of right of banker is called to combining two A/c of same customer.

Suppose, Saving A/c and current A/c is operated by one customer. If current A/c in debit due to giving one cheque by but the current A/c is in debit and his saving A/c is in credit without taking permission of customer bank can combine two A/c of customer by transferring amount from saving A/c to the current A/c. This bank right is called set of right. Bank can

take use of this right and pass the cheque of customer the necessary for the right is that to A/c must be operated by one and the same customer.

3. To Take interest and commission -

It is a right of the bankers against their customers the first right is that to charge interest. The interest is received on loan and advances. Bankers grant the loans and advances to the customer. Bank is the owner of the loan amount customer take use of the loan amount. He is not owner of the loan amount, so banker can take using cost of loan amount in the form of interest so bankers has a right to charge the interest on loan amount of the customer.

Commission is the income of the bankers. Bankers take commission from the customers the services rendered by the bankers to their customers. Bank provide different type of services.

Ex. Agency services, utility services etc so bankers take charges from the customer in the form of commission so this right is called right to take interest and commission from their customers.

4. To Take incidental charges -

To take incidental charges is a one right of a banker it is called casual charges taken by banker from A/c holder. Bank can take ₹ 20 or 25 or ₹ 50 in this way ₹ 100 for a one time during from to open A/c and upto close A/c. It is called right of a banker. Bank take the amount from each of every A/c holder. Bank give all forms slip, passbook

receipt, statement to all A/c holder at free cost. It is bank expenditure and there are number of A/c that may not give single income to bank, so, to complete stationery expenditure bank can take ₹ 20 or ₹ 50 or upto ₹ 100 from each and every A/c holder of a one time. It is casual A/c holder may not think that small amount bank has been taken that is why it is casual & it is called incidental charges.

5. Right to close an account - To close an A/c is one right of a banker against his customer on the basis of reason. Bank inform to the customer and close A/c of the customer with giving reasons.

For ex. - one customer open one A/c & he may not carry any single entry within a period of six month. Bank close the A/c on the basis of reason the A/c is not operated for a longer period more than six months it is called 'non-operated A/c'.

Second reason is that if current A/c is not followed the rules of A/c, bank give cheque facility to the current A/c holder he draw the cheque on bank and there is sufficient balance in the Account but A/c holder's tendency is that to give cheque in case of insufficient balance, bank inform to the customer for a number of time & if there is no change in the tendency of the customer banker close the A/c. Refer to the drawer is next one reason of to dishonour of the cheque. In this way, bank can close the account of customer with reason.

4. Endorsement and crossing

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Introduction

Crossing is a banking term. Crossing term is apply only for cheque. So cheque can be crossed. Drawer is the Account holder of the bank. So drawer can cross the cheque as well as he cancel the crossing.

Drawer cross the cheque for the purpose of safety payment of the cheque. If cheque is not crossed it means that drawer give simple cheque to the payee. That cheque can be order or bearer. Bank give payment of this cheque on it's counter of the bank. It may be a risky payment bank give payment of this cheque to the wrong person. That person is not owner of that cheque. So to avoid this problem drawer must issue crossed cheque.

Defination of crossing

"When a cheque bears on across its face side two transverse parallel lines it is called crossing of the cheque."

"Drawer put two transverse parallel lines on face side of the cheque it is called crossing. The meaning of such lines is that bank should give payment of the cheque in the account of payee. So drawer can cross the cheque."

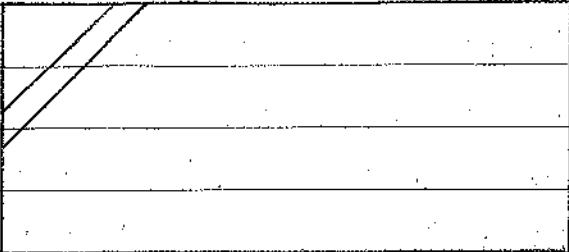
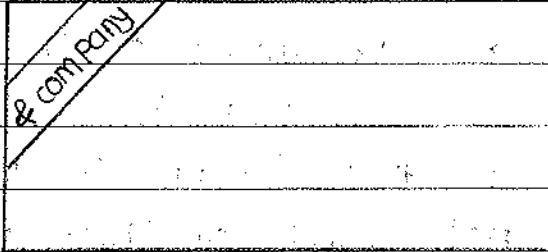
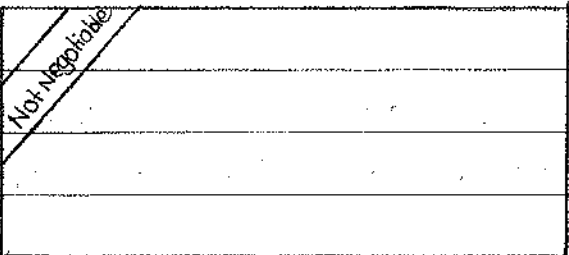
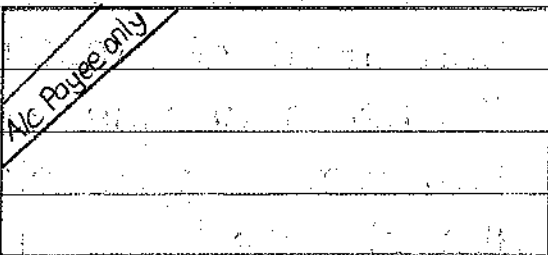
Types of crossing :-

- 1) General crossing
- 2) Special crossing
- 3) Restrictive crossing
 - a. Not negotiable crossing
 - b. Account payee crossing

1. General crossing

General crossing means simple crossing. It means that where a cheque bears two - transverse parallel lines on face side of the cheque with or without the words like '& company' or 'not negotiable' or 'Account payee only'

Specimen of General crossing cheque

Features of General crossing -

1. In General crossing drawer puts two transverse parallel lines on face side of the cheque. Drawer cannot give the cheque without parallel lines.
2. There are three words used in crossing
 - 1) & company
 - 2) Not Negotiable
 - 3) Account payee only

To write these words is not compulsory on cheque.

Any one bank can collect the payment of An General cross cheque. There is no any particular bank to collect the payment of cheques.

2. Special crossing

When a cheque is specially crossed in favour of any particular bank it is called special crossed cheque. To write the name of the particular bank between two parallel lines on front side of the cheque it is called special crossed cheque.

Where a cheque bears on its front side with an addition of any particular bank with or without parallel lines, with or without the words & company, not negotiable, Alc payee only.

SBI	BOM & company
ABC Not Negotiable	Yes Alc Payee only

Features of Special crossing -

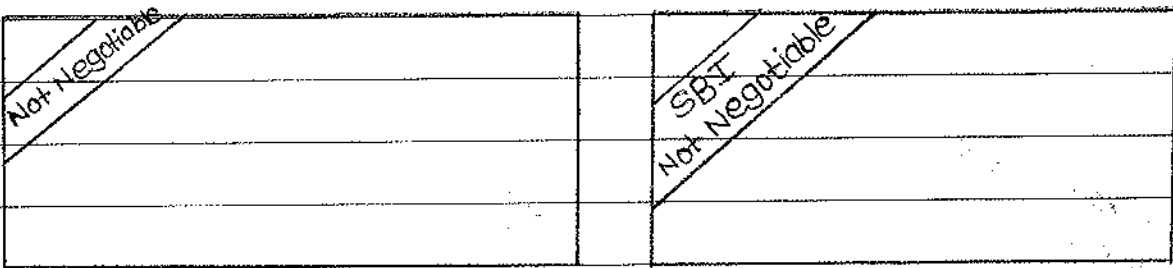
1. To write the name of the particular bank on face side of the cheque it is called special crossing.
2. To parallel lines are not compulsory for special crossing with or without such lines the addition of the bank on front side of the cheque.
3. Special crossed cheque's payment can be collected by only particular bank in which favour the cheque is specially crossed. Any other bank can not collect the

3. Restrictive crossing

a. Not Negotiable crossing -

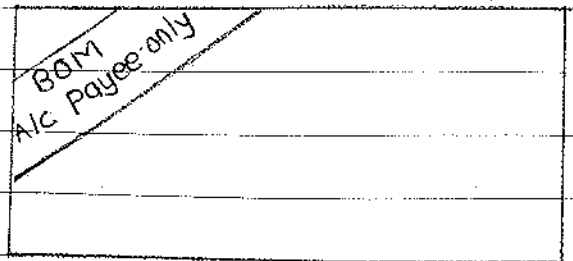
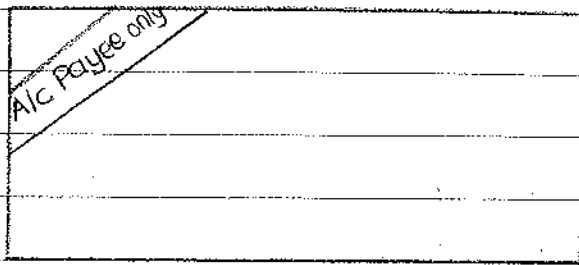
Sometimes under general crossing or special crossing when the word "Not Negotiable" are written on face side of the cheque it is called Not Negotiable crossing.

It is also called Restrictive crossing. Not Negotiable doesn't mean that Not transferable. This cheque is also transferable but there is a no guarantee to get real ownership to the transferee. In case of wrong transferer what type of ownership is transfer from transferer it is called Neg. Not Negotiable crossing.



b. Account Payee crossing -

Sometimes drawer write the word that is 'Account Payee only' in General crossing or special crossing that word also written between two parallel lines on face side of the cheque. So it is called Account Payee crossing. When drawer want to give payment of the cheque only to the payee and not to other than payee. So he write the word Account payee only. The effect of such crossing is that banker's credit the amount of the cheque only in the A/c of payee. It means that this cheque is not transferable.



Endorsement -

Meaning - The word endorsement is not original word in english language. It is taken from latin language from Endorsum. This word is constructed in endorse-ment. The word endorsum is used 'on Backside' in latin language. So it is called meaning of word endorsement. Generally endorsement means put the signature on backside of the cheque instrument. It is a fixed place for endorsement on backside of the instrument.

Defination of Endorsement -

" Endorsement means signature of the transferer on backside of the instrument for the purpose of negotiation (to transfer the ownership of the instrument) It is called Endorsement."

Parties of Endorsement -

1. Endorser
2. Endorsee

1. Endorser - Endorser means the person who put the signature on backside of the instrument so that person is called endorser. He is also called transferer. Endorser put the signature on backside of the



instrument for the purpose to transfer the ownership of the instrument.

2. Endorsee - The endorsement in whose favour that certain person is called endorsee. In whose favour endorser transfer his ownership of the instrument that person is called endorsee. He is also called transferee.

So these are two parties are mentioned in endorsement.

Allonge (सहचित्री)

A piece of paper attached with the instrument for the purpose of further endorsement it is called Allonge.

Types of Endorsement -

- 1) Blank Endorsement
- 2) Full Endorsement
- 3) Restrictive Endorsement
- 4) Conditional Endorsement
- 5) Sans - recourse Endorsement

1. Blank Endorsement - Endorser put the signature for endorsement on backside of the instrument without name of the endorsee. when the endorser want to transfer his ownership of the instrument to any person endorser put only signature without writing the name of the endorsee. so it is called Blank endorsement.

Specimen -
Endorser - A

Pay to _____ <i>Aishwarya</i> Signature of the endorser A

2. Full Endorsement - When endorser put the endorsement on backside of the instrument it means that endorser put the signature for endorsement with writing the name of the endorsee on backside of the instrument with his signature. So that is called Full Endorsement

Specimen -
Endorser - A
Endorsee - B

Pay to <u>B</u> or order <i>Aishwarya</i> Signature of the endorser A

3. Restrictive Endorsement

Sometime endorser want to transfer his ownership of the instrument only to the certain person. So the endorser put his signature on backside of the instrument so he write the word 'only' so it is called Restrictive Endorsement. It means that endorser want to stop further endorsement so this

endorsement means restrictive endorsement:

Specimen -

Endorser - A

Endorsee - B

Pay to B only

Aishwarya

Signature of the endorser A

4. conditional endorsement - When endorser want to give payment after complete one condition so he put conditional endorsement. Endorser put his signature on backside of the instrument and he write any condition. It is called conditional endorsement conditions may be as follows -

- 1) Pay to B if he sold all the goods within a one month.
- 2) Pay to B if he pass in 12th examination
- 3) Pay to B at the time of arrival of the ship of SS company.

Specimen -

Endorser - A

Endorsee - B

Pay to B if he Pass 12th examination

Aishwarya

Signature of the endorser A

1. An Endorser endorses the instrument for the purpose of negotiation.

2. The word endorsement has been taken from latin word endorsum which mean on backside.

5. sans-recourse endorsement - Sans-recourse means without recourse to me. Endorser want to become free from his liability of the further endorsement. If the instrument is dishonour endorser can be free from his liability to give payment so endorser put the signature on backside of the instrument with writing that sans-recourse to me or without recourse to me It is called sans-recourse endorsement.

Specimen -

Endorser - A

Endorsee - B

Pay to B sans-recourse to me
<i>Aishwarya</i>
signature of the endorser A

If the instrument is dishonour A will not be liable so he is free from his liability of further endorsement.

5. Principles of good Lending

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youva

Introduction

Good lending means better lending which are guaranteed by the bankers. Banking is the taking deposits of the money for lending or investment purpose. Lending means granting loans and advances. Bankers invest their funds to the needy borrower and borrower return the loan to the bank. If there is a total recovery from the borrower to the bank it is called good lending. Principle means directions and guidelines important points of the banking business. So the bankers make some golden coins for granting loans and advances.

Following are some principles made by the banker while granting loans and advances they are as follows -

1. Safety
2. Security
3. Liquidity
4. Profitability
5. Purpose of the loan
6. Diversification of the loan

1. Safety

Safety is one important principle of banking business. Safety means definite recovery of the bank loan from the customer to the bank. The recovery should be easy and without any legal formality. Loan should be recovered from the customer is called safety. This principle is dependent upon following two factors

- 1) willingness to repayment
- 2) capacity to repayment

1) Willingness to repayment - willingness is also called desirousness to repayment bank loan. This is related to mind of the customer/borrower. This factor is depend upon personal qualities of the borrower for e.g. character, creditability, honesty, cibil, etc. Bank make sure about these qualities of the borrower and grant loan to the honest person.

2) capacity of repayment - It is the second factor of the safety principle. Capacity to repayment means borrowers economical ability to return bank loan. Borrower must use bank loan for productive purpose then it is possible to increase income of the customer. After that he will become able to repayment the bank loan. Before granting the loan to the borrower, bankers must verified his economical condition and verified all the documents which are related to the loan. So bankers can take the decision to grant the loan or not to the customer. So it is called capacity to repayment the bank loan.

2. security.

It is one important principle of good lending. Security means property, asset of the customer. For e.g. land, building, Plant, Machinery, Produced goods, paper assets (shares, debentures, Fixed deposit receipt, gold paper band, agricultural land, etc)

Bankers grant loan to the customer against these properties. As per principle bankers can take any one of the property of the customer and grant loans against these properties.

If customer cannot return the bank loan, Bankers can sell the property of the customer in the market and recover the bank loan, so security is an cover and assurance of the bank loan.

3. Liquidity - Liquidity is most important principle of banking business. Liquidity is a bank ability, bank power to satisfy demand for cash in exchange of deposits. Liquidity means to convert into the net cash without any loss. Banking is taking deposits of the money for lending and investment purpose. Liquidity is the bankers power to convert the property into the net cash, so it is called Liquidity.

4. Profitability - Profitability is one principle of banking business. It means that to get income exceeding their expenditure. Bankers find out the sources of income bankers grant the loan and charged interest on loans and advances. Bank provide different type of services to their customers and get income from that services.

on the other hand Bankers have some expenditure for e.g. interest paid on deposits, Salary, Stationery, advertisement, Audit fees, etc.

There is a statement for the bankers about profitability that "for the intention of Profitability other two principles liquidity and safety can not be sacrificed it is required for sound banking principle."

5. Purpose of the loan - Purpose of the loan means object of the loan. Bank consider need of the customer. Bank grant loan to the customer for only productive purpose, for e.g. to build own house, to purchase vehicle, to produce goods, etc.

Bankers also grant the loan to the small business enterprises. Customer use the bank loan only for productive purpose. If customer use his loan for this purpose he will get more income. Bank recovery depend upon income of the customer. Bank never grant loan to the unproductive purpose for e.g. loans for to make heavy expenditure on functions, festivals, marriage, etc.

Banker never grant loan for purchasing necessary goods to store in godowns, directly or indirectly bank never goes against social control scheme.

So bankers must find out the purpose of the loan.

6. Diversification of the loan - Diversification means classification of the loan. Bank grant loan to the different type of the persons and different types of the loan. Those who are living in different part of the countries and they are working in different sectors of the economy. Bankers grant the loan to the different persons and working in different sectors. Bankers never grant loan to the particular business or particular person. So banker must minimize risk of the loan. Bankers must classify the loan in different types of sectors.

One author state that about this principle "Don't put all glass articles in the basket you

think over if manager lost the basket there will be no use of glass articles" So banker should classify the loan and reduce risk of the bank loan.

Types of loans and advances -

Granting loans and advances is a primary function of the bank under this function, bank sanction and give amount as a loan to the customer for productive purpose. Bank recover the loan from the borrower by installments during certain period of time.

There are some types of loans and advances in the bank and they are as follows :

- 1) Money at call and short notice
- 2) Bank overdraft facility
- 3) Cash credit loan
- 4) Term loan
 - i) short term loan
 - ii) Medium term loan
 - iii) Long term loan
- 5) Discounting of Bills
- 6) secured and unsecured loan

1) Money at call and short notice - It is a shortest type of loan sanction by the bank to their first class customers for the period of one day to 7 days. But there is a one condition for this loan and the condition is that the customer return bank loan as per bank call or any short notice. Bank needs the fund so bankers send notice or call to the customer to return bank loan, so this type of loan is called money at call and short

2. Bank overdraft facility - Bank overdraft facility is only given to current A/c holders. Over means more than the balance in the current A/c. A customer requests to the bank manager to sanction overdraft facility in his current A/c. Bank give this facility to only to the good transactions in the current account. customer can in cash the cheque upto the certain limit whenever there is less balance in his current A/c.

Bankers give payment of the cheque upto a certain limit and that limit is called bank overdraft facility. Bankers take interest only on the amount which is granted by the bank, so this type of loan is called Bank overdraft facility.

3. cash credit loan - As per the name of the loan it is not called that bank give loan at the counter of the bank in the form of net cash. The method to sanction the cash credit loan is that bankers grant the loan to the customer after opening the loan account then the amount of the loan is transferred in to the customers A/c as per the need of the customer he can use the loan amount. There are two conditions of the cash credit loan conditions -

1) customer must be use one third amount of the cash credit loan. If he used less amount of the cash credit loan then bank will charge interest on one third amount out of the total amount.

2) If customer used loan amount more than one third amount bankers take interest only on used

4) Term loan - Term loan means the period of loan granted by the bankers to their customers for certain period of time, so it is called term loan. There are three types of term loan:

1) Short term loan

2) Medium term loan

3) Long term loan

Subtype of the loan

Period

Purpose

1) Short term loan

14 days to one & half years

For working capital

2) Medium term loan

1 & half years to 3 years

Fixed capital purpose

3) Long term loan

3 years to 10 years

Fixed capital purpose

5) Discounting of the Bills (Bill of Exchange)

Bill of exchange is an instrument in writing containing an unconditional order, signed by the seller (drawer) directing to pay certain sum of money to the certain person or to the order of the certain person or the bearer of the instrument. It is called Bill of Exchange.

When seller sold the goods to the buyer on credit so seller draw the bill on buyer. It is called credit transactions in Bill of exchange. It is an order of the seller drawn upon buyer. Buyer accepted the bill with his signature. He will give

payment of the bill after over the period of the bill but seller need of the funds at present seller is the owner of the bill. so he can take the loan against that Bill of exchange.

Suppose value of the bill is ₹ 50000 the period of the bill is 3 months. so seller present the bill in the bank and take loan of ₹ 45000 against the bill less amount of the bill granted as a loan and total value of the bill is recovered from seller or buyer. so it is called Discounting of the loan. Bankers can charge interest on the used amount of the loan.

6) Secured and unsecured loan.

1) Secured loan - It is a one type of bank loan when the bankers granted the loan to the customer against his property or any particular asset it is called secured loan. customer give his property to the bank as security of the banker against the loan so it is called secured loan. It means that it is defined as the recovery of the bank loan.

If customer is not ready to return bank loan bankers can sale the property of the customer in the market and recover the bank loan. Bankers have a right to sale the customers property in the market. This right is given by the RBI to the bankers.

2) unsecured loan (clean loans) -

unsecured loan is also called as clean loan.


It means this loan are not secured by the bankers this loan may be recovered or not from the

customers to the bank. There is no guarantee of different recovery of bank loan.

^{definite} When the bankers grant the loan to the customer without taking any security or property of the customer, so that loan are called unsecured loan. Bankers grant the loan to the customer on his personal quality like honesty, creditability, character and cibil, etc. Some of the personal qualities may be changed in future, so bankers must take precaution while sanctioning the unsecured loan. So this type of loans are called unsecured loan.

6. Collecting Banker and Paying Banker

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Date:	



Definition of cheque -

cheque is a bank printed form. cheque is an instrument in writing containing an order signed by the drawer which is drawn upon specified bank directing to pay certain sum of money on demand to the certain person for order of the certain person or bearer of the instrument.

Definition of Bill of Exchange -

It is an instrument in writing containing an unconditional order signed by the drawer, directing that to pay certain sum of money only to the certain person or order of the certain person or bearer of the instrument it is called Bill of Exchange.

Meaning of collecting Banker -

collecting banker is a bank which collects the cheque for payment given by their customers. customer deposits his cheque in his bank where he has account. Then customers bank present a cheque in the clearing house. The clearing house give the cheque to the drawee bank. Drawee bank give payment of the cheque to the clearing house. Then the clearing house debit the A/c of drawee bank and credit the amount in collecting bank. After that collecting bank credit the amount of cheque in the account of the customer.

In this way to collect the payment of the cheque and credit in the A/c of the customer. It is a one bank service and which bank performing this service that bank is called collecting bank.

It is an agency services of the bank so bankers become an agent and customer will become principal under the service of collecting bankers.

Position of the collecting banker -
 collecting banker is an agent of the customer. The bank collect the payment of the cheque on behalf of the customer. So position of the collecting banker is that if customer is owner of the cheque collecting bank also become owner of the cheque. What type of the ownership of the cheque that ownership will get the collecting bank. It contain following liabilities -

- 1) Conversion
 - 2) Breach (break) of contract
- 1) conversion - As per the 'conversion' if customer is not owner of the cheque collecting bank also will not become owner of the cheque, so collecting bank cannot collect the payment of the cheque because customer is not owner of the cheque. So collecting bank return the cheque towards customer. So it is a one reason if of Liability of the collecting bank in respect of conversion.
- 2) Breach (break) of contract - At the time of collecting payments of the cheque Bank work as agent of the customer. There are certain duties of the collecting banker. If collecting bank may not follow their duties towards the customer then bank will be responsible if customer is suffering from loss in the form of cheque. So it is called

For ex. collecting bank should present a cheque in clearing house in proper time. If customer deposit the cheque before 10:30 am the cheque must be presented for clearing on same day. If the cheque is presented by the customer after 10:30 am so bankers put rubber stamp on the cheque i.e. "too late for today's clearing" so bank present the cheque for clearing in the next day.

If the cheque is dishonour collecting bank must inform to the customer about dishonour of the cheque. If there is too late for send the notice to the customer it is called breach of contract. In this contract collecting bank will be get punishment from the court to bear loss of the customer regarding the cheque.

Duties of the collecting bankers:-

1) To take precaution:- Banker is working as an agent of the customer. so bankers must take care of the cheque while collecting of a cheque. Bank should take necessary precautions at the time of collection and the amount of cheque credited to customers account. As a precaution collecting bank do not make any single mistake which is suffering loss of the customer. so collecting bank must take necessary precautions about the cheque.

2) To verify the endorsement:- At the time of collection of the cheque the duty of the collecting banker is that to verify the endorsement which is put on backside of the cheque. endorsement must be

regular. It is as per bank rule. Bank make sure about the correct endorsement or not. So it must be verified by the banker.

3) Proper time - There is a another duty of collecting banker is that the cheque must be presented in clearing house at proper time. The proper time is that if customer give cheque to the bank before 10:30 am. So bank must present the cheque at clearing house in the same date. If customer present the cheque after 10:30 am bank put rubber stamp on the paying slip "Too late for today's clearing. So bank present the cheque in the next day. So it is called proper time of collecting bank.

4) A notice of dishonour of the cheque -
It is a duty of the collecting banker to give notice of dishonour of the cheque to the customer. In the bank there is a printed form which contain reasons of dishonour of the cheque. Drawee bank remark the reason on printed form and return the cheque towards collecting banker. Banker's duty is that to give notice to the customer about dishonour of the cheque as early as possible.

Protection of collecting banker -
collecting bank protected from following conditions -

- 1) cross cheque
- 2) collection for customer purpose
- 3) collection in good faith
- 4) Without any negligence

under these four conditions collecting bank get protection and may not be liable for the loss of true owner of the cheque.

Paying Banker / Drawee Bank

cheque is a bank printed form. It is an order to pay money and it is signed by the drawer. Drawer draw the cheque on his bank on which bank the cheque is drawn that bank is known as paying bank which give payment of the cheque. Drawee bank is also called paying bank.

Duties of the paying banker

When customer demand the payment of the cheque paying banker give payment of the cheque. It is the duty of the paying banker but this duty is a qualified duty. It is not perfect duty because there are three conditions for ~~th~~ to give payment of the cheque. The conditions are as follows -

1) The cheque must be drawn properly as per bank rule. It means that drawer write all the particulars given on the cheque.

2) There must be sufficient balance in the A/c of drawer. Drawer's signature must be tally with his specimen signature card. There is no any stop payment order as per banking law.

Precautions of Paying Banker -

- 1) Drawer signature
- 2) to verify the date on the cheque

- 3) To verify amount in words and amount in figures.
 - 4) Note notice for stop payment
 - 5) sufficient balance
 - 6) Banking hours
 - 7) cheque must be drawn upon our bank
 - 8) certain Payee
 - 9) No Garnishee order (court order)
- 1) Drawer's signature - At the time of giving payment of the cheque as a precaution bankers must tally the signature of the drawer with his specimen signature card. If there is a difference bankers have a right to dishonour the cheque. If there is no difference bankers can identify the customer and clear the cheque.
- 2) To verify the date on the cheque - At the time of giving payment of the cheque as a precaution bankers must verify the date of the cheque. Bank can dishonour the cheque if it is postdated cheque or stale cheque (outdated cheque). Bank give payment of the cheque on issuing date or any date upto the three months. If the cheque presented after three months it is called stale cheque (outdated cheque). If there is a future date it is called postdated cheque. So bankers must verify the date of the cheque.
- 3) To verify amount in words and amount in figures - As a precaution bankers confirm that there is a equal amount in words and figures is given on the cheque. As per banking law bank give payment of the cheque as per amount in words. But there is a

tradition that the bank make sure about there is no any difference between amount in words and amount in figures.

- 4) No Notice for stop payment of the cheque -
AS a precaution bankers make sure about that there is no any notice for stop payment of the cheque given by the drawer. So as per this notice paying bank can dishonour the cheque. Drawer has a right to stop payment of the cheque. So paying bank can dishonour the cheque and the reason is that stop payment order given by the drawer.
- 5) Sufficient Balance - At the time of giving payment of the cheque as a precaution bankers must confirm either there is a sufficient balance in the A/c of drawer in case of insufficient balance payee bank can dishonour the cheque.
- 6) cheque must be drawn upon our bank -
The cheque must be drawn upon our bank branch only. There are so many branches of the bank in which branch customer open the A/c he can draw the cheque to only upon his branch. So payee banker confirm about that the cheque is drawn upon our bank branch.
- 7) certain Payee - The cheque is payable to the certain person which is mentioned on the cheque. If there is no any name on the cheque. Bankers can dishonour the cheque. So in the cheque payee must be certain.

8) No Garnishee order (court order) -

At the time of giving payment of the cheque paying bank can dishonour the cheque. If there is garnishee order or court on the account of the customer. Sometimes court give order to the bank to stop payment of the A/c. As per this order bankers cannot clear the cheque.

7. Balance sheet of commercial Bank

Page No.

Date:

youva

There are two statements prepared and published by each and every Indian bank at the end of the financial year. The first statement is that balance sheet and of the commercial bank and 2nd profit & loss A/c of the commercial bank. Balance sheet is the statement of the bank showing that how bank collect capital, what are the bank liability it means that in flow of money and on the other hand bank invest their funds and what are the assets and properties of the bank. It means that it is the outflow of the money.

Balance sheet is a statement showing economical and financial condition of the Bank.

one Author state that Bank Balance sheet is the mirror which is reflected clear picture of the bank specimen -

Banking Regulation Act 1949

schedule 3 under section 29 form - A

Capital & Liability side	Profit and Asset side
1. capital -	1) cash in hand
1) Authorised capital	2) cash with SBI
2) Issued capital	3) Balance with other banks
3) subscribed capital	4) loans and advances
4) called up capital	5) Investments (Gold, shares, debentures, Government Securities)
	6) Bills Receivable
	7) Furniture & fixtures
	8) other Assets
	9) Non-banking assets
	10) Profit & Loss

