

GIVE THE DEFINITION OF BANK.

The word banking has been used to denote a certain kind of trading in money. It consists basically of the exchange of money, the lending of money, the depositing of money, and the transmitting of money. According to some authorities, the word 'bank' is derived from 'Bancus' or 'Banque' which means a bench. In the early days the European money lenders and money changers used to sit on the benches and exhibit coins of different countries in big heaps for the purpose of changing and lending money. There are others who are of the opinion that the word 'bank' is originated from the German word 'Back' meaning a joint stock fund which is known as 'Banco' in Italian language.

The banking Regulation Act, 1949, defines banking company as a company which transacts the business of banking in any state of India. The word banking has been defined under the same Act as the accepting for the purpose of lending or investment, or deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, and order or otherwise. Different scholars have given different definition of word 'bank' or 'banker'. Some of the definition by eminent authorities are; Banks are institution whose debts. Usually to as 'bank-deposits' are commonly accepted in final settlement of other people.

FUNCTION OF BANK:-

The functions of bank can be classified as.

- 1) Primary or Banking Functions.
- 2) Secondary or Subsidiary Functions.

Primary or Banking Functions:- There are two primary functions of a bank. i.e.

- a) Accepting deposits
- b) Making loans & advances.

i) Accepting deposits:-

Accepting deposits from the public is an important function of a bank. There are many persons who have surplus funds and who cannot employ their funds profitably. They deposit these surplus funds or money with a bank. The bank not only provides the safe custody to their cash but also provides depositors with a convenient method for transferring funds through the use of cheques. Different persons many have different purposes of depositing their money into bank. Some people deposit money into the bank. Some people deposit money into the bank for the purpose of safety, others deposit money to earn interest and while there may be some others who deposit money into bank earning interest as well as cultivate the habit of savings. Businessmen deposit money into bank to make use of the various services performed by the banks. A bank provides the facility to open different kinds of deposits with various facilities to suit the needs of various depositors. Banks accept deposits mainly in three forms, fixed or time deposits, savings bank Deposits & Current deposits.

ii) Making Loans and Advances:-

Making loans and advances is one of the most important functions of a bank and the test of a bank's strength depends considerably on the quality of its advances and the proportion its loans and advances bear to the total deposits. It is the advances which bring surplus funds and grant loans and advances to those who need them. The bank thus act as a middle man mobilizing the saving of the people and using them to assist industry and trade and thereby promote economic development of the country. Banks usually do not make loans and advances in hard cash but allow a right to draw cheques to the limit fixed. The most common way of lending is

by way of overdraft facilities i.e., allowing the customer to overdraw his current account and also through discounting bills of exchange. Loans & advances are generally made by the banks in the following forms.

- 1) Loans
- 2) Cash credits
- 3) overdrafts.
- 4) Purchasing and discounting of bills.

SECONDARY OR SUBSIDIARY FUNCTIONS:-

A) FUNCTIONS OF AGENCY:-

i) Collection of cheques, Bills, Interest etc:-

Banks collect Cheques, Bills, promissory notes, dividend warrants, Coupons of interest etc. on behalf of their Customers. Cheques drawn on some other bank can also be paid into bank for collection. The customer may instruct the issuer of securities that he may hold to pay the interest or dividend declared on securities on securities to his own bank. In that case bank collects such interest or dividend for his customer. Banks usually charge a small commission for this service from their customer.

ii) Execution of Standing orders, Payment of Insurance Premium etc:-

A customer may authorize his bank by making standing instructions to the bank for the payment to various persons or institutions. Such orders are usually given in respect of payment of insurance premium, rents, subscription, donations and such other periodical payments. Banks make such payment on behalf of their customers and debit such customer's accounts. A small commission may be charged by banks for rendering such services.

iii) Purchase and sale of Securities:-

Customers may leave instructions with the banks to buy and sell securities etc. on their behalf on instructions from the customers, bank undertake to purchase or sell shares, stocks, debentures, bonds, securities etc. on behalf of their customers. Bank usually do not charge from the customers for this services.

(B) UTILITY FUNCTIONS OR SERVICES:-

i) Safe custody of valuables, securities etc:-

Bank accepts customer's valuables, ornaments, jewellery documents, deed or securities etc., for safe custody. They provide safe deposit vaults for storing their valuables.

ii) Credit Creation:-

Banks create credit in two ways (a) by issuing notes and (b) by giving loans to businessmen and creating deposits in their favour. Credit expansion makes available funds to entrepreneurs who invest them to raise production and then call for increasing employment. It may, however, be said that the creation of over credit must be avoided as this has the effect of inflationary pressure also.

iii) Providing Trade information and Statistics:-

Banks collect business, industrial, banking and economic information and statistics and place it at the disposal of its customers. Some banks publish such information statistics in journals.

EXPLAIN VARIOUS TYPES OF BANK ACCOUNTS:-

There are three main types of accounts which a person can open with a bank. Such as:-

- 1) **Fixed or Time Deposit Account:-** This account is one where money is deposited for a fixed period and cannot be withdrawn before the expiry of the said period. This period usually varies from three

month to five years. The rate of interest allowed on such accounts increases with the period of deposit. This is also called Term Deposit Account.

Deposit Account:- since fixed deposit account are repayable after a fixed or specified period, this is the most suitable form of accepting deposits for a commercial bank and banks allow a higher rate of interest to attract such deposits. Customers deposit their money in such account with a view to earn interest as well as to withdraw the same on the expiry of the period of the deposit. But if a customer does need money before the expiry of the fixed period, he can either take a loan against the fixed deposit or the bank may allow him to withdraw the deposit before the expiry of the due date. In case the customer takes a loan against the deposit, he has to pay interest at a higher rate than allowed on his deposit and if he withdraws the money before the due date, he foregoes much of interest accrued on such deposit.

PROCEDURE TO OPEN A FIXED DEPOSIT ACCOUNT:-

A person desirous of opening a fixed deposit account has to fill a prescribed form available from the bank where he wants to open such an account. This form contains the particulars as to the name of the depositor, the amount, the period etc., and also the specimen signatures of the depositor. After depositing the money along with the duly filled form, the customer receives deposit receipts which acknowledge the receipt of the amount held in his account for a fixed period mentioned there in. At the expiry period, the deposit holder will be entitled to claim the amount of deposit along with interest on producing the deposit receipt.

2. SAVING BANK DEPOSIT ACCOUNT:-

This is an account into which small savings are deposited into bank by the customers. This account is meant for the benefit of middle class and low income group people. A savings Bank Deposit Account can be opened by any person with a minimum deposit of five rupees. The special features of this account for any number of times in a week but withdrawals can be made only once or twice a week. Restrictions on withdrawals are imposed by banks to discourage the habit of frequent withdrawals the interest rate at present is 5%. At present 5% withdrawals are permitted in a half-year by most of the banks. The savings bank account holder is issued a pass-book. But now banks have begun to allow cheque facility also to saving bank depositors who maintain balance. Rupees one hundred in their account.

3. CURRENT ACCOUNT:-

Sometimes it is also called 'open Account', it is one in which money can be deposited and withdrawn at any time during working hours without giving any notice to the bank. This account may be defined as running account between a banker and a customer this account suits the requirement of business, companies, corporations, institutions, firms etc.

PROCEDURE TO OPEN A CURRENT ACCOUNT OR A SAVING ACCOUNT:-

1. **Application in the prescribed forms:-** The person desiring to open a current account or a savings bank account has to apply to the bank concerned in the prescribed form.
2. **Introduction of the applicant:-** Any person may apply for opening an account in his name but the bank reserves the right to do so on being satisfied about the identity of the customers. The bank usually insists on such person or business enterprise being introduced to the bank by an existing customer of the bank or a reputed business man.
3. **Specimen signature:-** When the bank is satisfied with the introductory references it proceeds with the opening of the account. The applicant is asked to give his two or three specimen signatures on a prescribed form generally a card, for the purpose of bank's record.

4. **Photographs:-** Photographs are required for all accounts. The identity of the customer is very clearly established with the help of photographs.
5. **To make the Initial Deposit:-** The banker opens an account in the name of the applicant. Generally the minimum amount to be deposited initially is Rs 5. In case of saving account Rs 100, when savings account is opened with a cheque facility and Rs 500 in case of current account .it provides 1) pass book 2) cheque book 3) pay-in-slip book.

OPERATION OF BANK ACCOUNTS:-

To operate an account, the customer is required to make use of the following:

- 1) **Pay-in-Slip Book:-** A pay in slip book contains a number of printed slips with perforated counter foils. This slip is to be filled in by the depositor or by his agent at the time of depositing cash or cheques etc. the pay –in-slip contains information relating to the date of deposit, the name of the depositor, the amount to be deposited, the name and account number to be credited, the details of currency notes, in case of cash, cheque number and name of the drawee in case of cheques. After filling the pay-in-slip, the depositor hand over the same to he Counter alongwith Cash or cheques to be deposited.
- 2) **Cheque Book:-** A cheque book contain blank forms for cheques. Withdrawls from banks are made by cheques. The blank forms of cheques and their counter foils are serially numbered. The cheque book generally contains from 10 to 100 such forms. When a customer wants to withdraw money or make payments to others, he has to fill in the cheque and sign it.
- 3) **Pass Book:-** This is a book issued by the bank to the customer in which all transactions between them are recorded. In fact, it is a copy of customer's account in the books of a bank. The transactions in the pass book are recorded by the bank. This book contain the details as to the amount deposited into the bank the date of such deposit, the amount withdrawn with date of withdrawl, and the balance of account on a particular date.

Specimen of a Pass Book.

J & K Bank.

Date	Particulars	Withdrawals Dr.	Deposits Cr	Dr. or Cr	Balance
		Rs. P	Rs. P		Rs. P

EXPLAIN THE PROCEDURE FOR SANCTIONING OF LOANS:-

- 1) **Application form:-** Application form to be filled in and signed by the borrower containing essential information of a simple nature relating to himself and his credit requirement and interview form in which additional information obtained by questioning the applicant and perusing his books of account and other relevant papers may be recorded by the banks officer.

2) **Credit Reports:-** The grant of credit is a business which involves a risk of incurring bad debts if proper care is not taken-Banks, therefore, ascertain the credit worthiness of borrower from time to time and maintain credit reports on them. The commission made the following suggestions.

(1) The risk involved in advances granted against readily realizable securities with adequate margins is negligible and, therefore, detailed credit reports on borrowers who have been sanctioned the following types of advances need not be maintained.

- a) Advances against deposits with bank and surrender value of life insurance policies.
- b) Advances against govt. and other trustee securities.
- c) Advances against readily marketable shares and debentures within limit.
- d) Secured advances to agriculturists small scale industries within reasonable limits.

II) At the time of renewal of an advance, a fresh credit report should be prepared only if there have been any significant changes in the means and standing of the borrower. A suitable remark. To the same effect should also be made on the renewal proposal sent to the regional office of the head office. However, a fresh credit report should be prepared at least once in two years.

III) Branches should not be required to send copies of credit reports to the head office or the regional office on borrowers to whom advances have been sanctioned under the agent's discretionary powers.

3) **Credit Rating or Credit Intelligence:-** In India, credit rating agencies have come up which give rating to debt instruments. Some of them have offered to provide services to commercial banks in this regard. Reserve Bank of India has established a credit Information Bureau. This Bureau collects the credit information from the banks under section 45-c(1) of the RBI Act.

4) **Supervision of Advances:-** The usual follow-up action at the branch level consists of the periodical scrutiny of operation in the account, verification of the security, its valuation, insurance cover, etc. and the examination of stock statement submitted by the borrowers. In order to ascertain the end use of funds, the officials, during their visits, should try to test check.

- (1) Whether large drawing made from the accounts were for genuine business purposes.
- (2) Whether the inflow of cash in the business was regularly deposited in the account.
- (3) Whether the production and marketing activities of the concern have been running smoothly.

5) **Management of Difficult Accounts:-** Narasimham Committee on financial system made certain recommendation regarding such accounts by taking steps through a separate agency, however the recommendations are yet to be implemented. Regarding non performing assets (NPA) prudential norms have to be observed.

EXPLAIN BRIEFLY THE MEANING OF POST – OFFICE:-

The post office is one of the important institutions in every country of the world. It plays an important role in the development of trade and industry besides providing personal services to every citizen. The communication through post, telegrams, telephones and telex are provided inside the country and with the outside world too.

Post offices are managed by govt. in all countries. In India, post offices are by the Ministry of communication. The post offices are available in every corner.

Post offices perform a variety of functions for the facility of the citizens. These functions can be classified into the following categories.

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| I) Postal Services | II) Banking Services | III) Communication Services |
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I) **Postal Services:-** The main function of post offices is to send letters articles, parcels etc. from one place of another. Postal services can be divided under following heading.

a) **Letters:-** Under postal services the delivery of letters is an important work undertaken by post offices. The letters are sent in four forms i.e., post card, inland letter, envelope, foreign letter. The post card has a space for the address where it is to be sent and some space is provided for writing the message to be sent. The space for message is small, so brief information can be conveyed through post card. Post card is the cheaper method of communication as compared to other forms. Inland letters with space for message and addresses of sender and addresses are sold by post offices. Another method of sending messages is through envelopes .the envelopes containing a message written on other paper which is put inside them. The envelopes are sold by the post offices and private envelopes can also be used by putting required stamps on the basis of their weight. For sending messages to other countries different type of letters are used. The stamps on there letters are put according to the postal rates of the countries of their destination.

b) **Registration:-** The registration of letters and other articles makes their delivery safe during the course of transmission. The registered articles are delivered at some post office and a receipt is obtained for their delivery. These articles are safely sent to their destination. The postman will get a receipt for taking the delivery from the addressee at the time of delivering those articles. The rates of registration go on changing from time to time. If a person wants to send 'Acknowledgement Receipt' then he will have to pay some. Extra money for this service.

c) **Value payable post (V.P.P):-** the post office provided facilities for sending articles through value payable post. The amount is recovered. Against the delivery of goods at the other end. The sender pays the postage charges for the parcel. The value payable parcel can be sent from a post office. The sender has to make a declaration that the articles are sent in accordance with confide order received by him. The parcel is delivered after getting the amount mentioned plus money order charges for remitting that amount to the sender. The addressee has to take delivery of the articles within seven days following the date of first presentation .other wise it will be returned to the sender on the 8th day. The addressee can apply to the postal authorities for detaining he articles for some days not exceeding seven days. The addressee will, however, have to pay some fees for each day the goods have been detained after the normal period of seven days.

d) **Certificate of posting:-** When a person wants a certificate for posting a letter but does not want to register it, he can avail this facility. The letter will have to be delivered at the post office and a small fee is charged for this services. The sender writes the address of the person to whom the letter is sent and the postal employee puts the stamp on that this certificate is to certify that a particular letter has been duly posted. The certificate of posting is available for all types of unregistered articles. Such letters are marked with the word UPC on the face of it.

(5) **Money order:-** This is one of the methods for sending money through post office. A form is available with the post offices on payment of small amount which must be submitted by the sender. The printed form contains columns for the addresses of the sender and payee. The sender can also write a small message on the bottom of the money order form which is communicated to the payee. The form duly filled the amount in figures and words to be specified, is submitted at the post office by the sender/. The amount to be remitted and commission charges of the post offices deposited along with the form. A receipt issued to the sender mentioning the amount deposited and postal charges. The money order form is sent to the nearest post office of the payee. The amount is handed over to the payee after getting receipt from him. Though the post office does not take responsibility for the wrong payment of money caused incorrect or incomplete information given by the sender.

(6) **Postal Order:-** This is another method of sending money which is commonly used. In this method the sender gets postal order from the post offices after paying the money and some charges for this service. The

name of the payee is filled in the space provided for it and the place of payment is mentioned at the place mentioned as 'payable at ', the sender's name and address is mentioned at the back of it. The postal orders are sent in a n envelope to the payee who can them cashed at his place. If the postal order is crossed, then it will have to be deposited in a bank account.

GOVERNMENT