UNIT-I
BANKER AND CUSTOMER

Meaning of Bank:

A bank is a Financial Institution which deals in Money and Credit. It accepts deposits from the public and uses such deposits for lending and investment. It also performs various agency, general and modern services.

Definition:

Oxford Dictionary defines 'A Bank is an establishment for the custody of money which it pays out on a Customer's order.

Section 5 of the 'Banking Regulation Act 1949' Banking means accepting money for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise withdrawable by cheques, drafts or orders.

Features of Banking:

1. Deals with Money
2. Deals with Credit
3. Commercial in Nature
4. Acts as an Agent
5. Accepting Deposits and Lending Loans
6. Performs Agency, General and Modern Services
7. Performs Banking Business.

BANKER:

A Banker is one who deals in Money and Credit. He/she accepts deposits from the public and uses such deposits for lending and investment purpose.

Functions of Bank/Banker:

I] Primary Functions
Ii] Secondary Functions

I] Primary Functions: (2 Types)

1. Accepting Deposits:
- a. Savings Deposit
- b. Fixed Deposit
- c. Current Deposit
- d. Recurring Deposit

2. Granting Loans:
- a. Overdraft
- b. Cash Credit
- c. Loans
- d. Bills Discounting

II] Secondary Functions: (3 Types)

1. Agency Functions:
- a. Transfer of Funds
- b. Periodic Payments
- c. Collection of Cheques
- d. other functions

2. Utility Functions:
- a. Locker Facility
- b. Drafts
- c. Social Welfare Programmes
- d. Other Utility functions

3. Modern Functions:
- a. EFT
- b. ATM
- c. Smart Cards
- d. Internet Banking
- e. Tele-Banking

Classification of Banks:

1. Commercial Banks
2. Industrial Banks
3. Central Banks
4. Agriculture Banks
5. Exchange Banks
6. Co-operative Banks
7. Indigenous Banks
8. Regional Rural Banks

I] Commercial Banks:

Commercial banks accept deposits from the public which are repayable on demand. Also lend loans to public for investment and other purpose and perform various other functions.

II] Industrial banks:

These banks are established for the purpose of providing long term finance to industries. Ex: IDBI

III] Central bank:

A Central bank is a special institution which works for entire banking structure and maintains monetary stability. It is leader of all Banks.

IV] Agriculture banks:

For providing long term loans to agriculturist for development, agricultural banks are established. Ex: Land Mortgage banks. They are also called as Land Development Banks.

V] Co-operative banks:

These banks are established to provide short term loans to agriculturist for development.

Vl] Indigenous banks:

These are the banks established by the private persons. Money lenders are called Indigenous banks. (Rate of Interest is High)

VII] Regional rural banks:

These are the banks established by the government of India and are state sponsored, regional based and rural oriented commercial banking institutions.

VIII] Exchange banks:

These banks specialise in financing the foreign trade and then supply the necessary foreign exchange required for settlement of transactions between traders engaged in foreign trade.

Ex: EXIM Bank.

Advantages of a Bank Account:

1. Safety of money.
2. Cultivates habit of savings.
3. Avails loan facility.
4. Collection of cheques.
5. Facility of Making Payments.
6. Safe custody for valuable instruments.
7. Providing Credit information.

CUSTOMER:

Who can be called as a Customer of Bank?

A Customer of a bank means a person who has an Account with the bank.

- **Three Conditions:**
  1. He/she should have current or savings bank account.
  2. There should be banking transactions.
  3. Frequency of transactions is necessary.

According to Sir John Paget: ‘To constitute a customer there should be some recognisable Course or habit of dealing in the nature of regular banking business.’

RELATIONSHIP BETWEEN BANKER AND CUSTOMER:

Relationship between banker and customer starts when a customer opens an account with the bank by depositing money or cheque. The relationship between banker and customer is like two sides of coin. The entire banking business depends upon the good faith and mutual understanding between banker and customer.

ACCOUNT OPENING PROCEDURE:

1. Application Form
2. Introduction
3. Specimen Signatures
4. Photographs
5. Fulfilling KYC Norms
6. Initial Deposit
7. Opening of Account
8. Provision of Pay in slip, Cheque Book and Pass Book.

Relationship between the Banker and Customer: [2 Types]

1. General Relationship
2. Special Relationship

I] General Relationship: (2 Types)

1. Primary Relationship
2. Subsidiary Relationship

1. **Primary Relationship: (Debtor Creditor Relationship**: It is a contractual relationship between banker and customer in a bank. Contractual means agreement between two parties. It is a fundamental or primary relationship between banker and customer which is that of Debtor and Creditor o Borrower and Lender.

   Who can be called as Debtor and Creditor?

   Generally, Customer is the creditor and Banker is the Debtor when Customer deposits money in the bank. And in Contrary when customer takes a loan Banker becomes the Creditor and customer becomes Debtor.

   Features of Debtor Creditor Relationship:

   1. Banker is a Dignified Debtor.
      a. Name of Borrowing
      b. Place of receiving Money
      c. Due Date of Payment
      d. Time for Payment
      e. Security
      f. Demand for Repayment
      g. Place of Payment
   2. Customer is only a general Creditor of the bank.
   3. Demand is necessary for payment.
   4. Demand should be made on business day and during Business hours.
   5. Demand should be in proper form.

2. **Subsidiary Relationship: (Secondary Relationship)**

   The following are the subsidiary relationship between banker and customer.

   1. Bailor and Bailee.
   2. Trustee and Beneficiary.
   3. Principal and Agent.

II] Special Relationship: (8 Types)

The Special relationship arises, out of the debtor and creditor relationship. Special relationship means the mutual obligations (duties) and rights of the banker and customer.

1. **Obligation to Honour Cheques:**
   - **Conditions to Honour Cheques:**
     1. Cheque must be properly drawn. (Date, Amount, Signature, Endorsements)
     2. Cheque must be prescribed (Presented) within time. (Business days and Hours)
     3. There should be sufficient funds.
     4. Funds must be properly applicable.
     5. Correctness of cheque and proper presentation.
     6. Uncleared Cheques.

   - **Conditions to Dishonour Cheques: (Compulsory Dishonour)**
     1. When the customer has Countermanded payment. (Stopped)
     2. When the banker has received a notice of customers death.
     3. When the customer has become insolvent.
     4. When the banker has received the notice of insanity of a customer.
     5. When the banker has received the Garnishee Order.
     6. When the banker has received the notice of Assignment from the customer.
     7. Closing of Account.
   - **Conditions to Dishonour Cheques: (Willingness of the banker)**
     1. When the cheque is not properly drawn.
     2. When the Post-dated cheque is presented.
     3. When the Undated or stale cheque is presented.
     4. When the cheque is presented after banking hours.
     5. Where the cheque is materially altered.
     6. Insufficient Funds.
     7. Where the cheque presented at a branch where the customer has no account.
     8. When the amount of the cheque expressed in words and figures differs.
     9. When the Mutilated cheque is presented which is not confirmed by the drawer.
     10. Where some persons have joint account but the cheque is not signed by all jointly.
     11. When the Drawers signature on the cheque is found forged.
   - **Wrongful Dishonour of cheques by the banker:**
     1. General Damages
     2. Special Damages

2. **Obligation to Maintain Secrecy of Customers Account:**
   - **Conditions when a banker can Furnish information about the customer:**
     1. When there is an expressed consent of the customer.
     2. When there is an implied consent of the customer.
     3. Disclosure is compulsion of law.
     4. Duty to disclose to the public.
     5. Disclosure on customers own interest.
     6. Information required by other banks.
   - **Precautions to be taken by the banker while furnishing information about the customer:**
     1. The information should be given in general statement but not in figures.
     2. Information should be given Honestly and Confidentially.
     3. Information should be given by putting the word 'WITHOUT RESPONSIBILITY'
     4. Information should not be given on phone.
     5. Information should be given in closed cover preferably Sealed.

3. **Bankers Right of General Lien:**

Meaning of Lien: Lien is the right of a creditor to retain the goods and securities in his possession belonging to the debtor, until his debt is repaid. Lien is the right to retain the goods but not to sell the goods.

- **Types of Lien:**

1. General Lien.
2. Particular Lien.
    1. **General Lien:** It is the right of the creditor to retain any property belonging to the debtor until the debt is repaid. Ex: Banker, Wharfingers and Attorney generals.
    2. **Particular Lien:** It is the right of the creditor to retain a particular property belonging to the debtor until the debt is repaid. Ex: Watch repairer, Goldsmith, Taylor and Doctors.

- **Conditions of Lien:**
    1. Possession of Goods.
    2. Possession of Goods lawfully obtained.
    3. No Agreement. (Implied Pledge)
    4. Debts Due.
    5. Securities should belong to customer.
    6. Goods deposited for specific purpose.

- **Exemptions of Bankers Lien:**
    1. Safe Custody Deposits.
    2. Securities left with bank Adherently. (Unknowingly)
    3. Money or Bills deposited for specific purpose.
    4. Accounts in Different capacity.
    5. Contingent Debts.
- **Conditions when a banker can exercise Lien:**
    1. Goods are in his possession.
    2. Lien on title of goods
    3. Funds deposited by customer in the bank.
    4. Life Insurance Policy.
    5. Fixed Deposit Receipt.

4. **Bankers Right of Set-off:**

Meaning of Set-off:

It is the right of the banker to combine two or more accounts held by the customer in the same name and capacity, where one account shows debit balance and other account shows credit balance to find out the net balance payable by one to another.

- **Conditions of Right of Set-off:**
    1. Accounts should be in same name and capacity.
    2. Amount must be debt.
    3. Debts must be certain
    4. Right of Set-off only to present Debts.
    5. No Agreement.
    6. Notice should be given to customer.
    7. Banker can exercise at his discretion. (Own)
- **Automatic Set-off:**
    1. Death, Insolvency and Insanity of the customer.
    2. On receipt of Garnishee Order.
    3. On Receipt of Notice of Assignment.

5. **Bankers Right of Appropriation:**

Meaning of Appropriation:

If the customer has Two or more accounts in the bank and if he deposits his funds into his account, it is the duty of the customer to inform the banker to which account the money deposited should be credited, if not it is right of appropriation of money.

6. **Right to Charge Interest and Charges:**

The Banker has a Right to charge interest on loans and advances to customers. The right to charge interest may be expressed in the form of an agreement. (simple rate of Interest and Compound rate of Interest) Banker has the right to charge commission or incidental charges for services rendered to customers. Some of the charges by banks are as follows:

1. Interest Charges
2. Low Balance- Penalties.
3. Debit Card and Account Maintenance Charges.
4. Service Charges or Commission. (Demand Draft)
5. Locker facility Charges.
6. ATM Transactions Charges.
7. Cheque leaf book Charges.
8. Account Closing Charges. (After 14 days within 1 Year)
9. NEFT and RTGS Charges.
10. Signature verification Charges.
11. Card Changes Charges.
12. Wrong Address Charges.

7. **Garnishee Order: (Order 21, Rule 46 of the code of civil procedure, 1908) 'To Warn'**

Meaning of Garnishee Order:

It is an order issued by the court to the banker to stop the payment belonging to a particular customers account. Generally, court issues such orders on request of the judgement creditor.

❖ **Parties involved in Garnishee Order:**

1. Judgement Creditor: The Person who requests the court to send order.
2. Judgement Debtor: The person in whose favour the order is given.
3. Garnishee: Banker to who gets order from the court.

❖ **Parts in Garnishee Order:**

1. **Order Nisi:** (UNLESS)
   It is the first order sent by the court to the banker. It requests bank to stop or suspend the operations of the account belonging to a judgement debtor. (Customer of the bank) It also asks banker to raise any objections or to give reasons.
2. **Order Absolute: (Final Order)**
   It is the final order issued by the court to the banker. If the banker fails to stand before the court or doesn't raise any objections in the court the court will issue order absolute. It is the duty of the banker to transfer the amount to the judgement Debtor.

❖ **Conditions for Garnishee Order:**

1. There should be credit balance in the creditors account.
2. Accounts should be in the same name and capacity.
3. It attaches to all the accounts. (If Court Issues to head office)
4. Creditors debts must be due.
5. Order must be clear.
6. Bankers can claim Set-off.

- **Rights and Duties of a banker on Garnishee order:**
  1. To suspend the operations of the account.
  2. To inform the customer.
  3. To advise the customer to open new accounts.
  4. Banker can raise objection the court.
  5. It is the duty of the banker to not to pay the amount to the customer until bank gets order absolute.
  6. It is the duty of the banker to obey the orders of the court.

- **Funds or Amounts not recovered by Garnishee Order:**
  1. The identity of the debtor is doubtful.
  2. Deposits made by the customer after serving Garnishee order.
  3. Payments made by the banker before serving Garnishee order.
  4. Customer account shows Debit balance.
  5. Securities deposited in the bank for safe custody.

8. Banker and Law of Limitation: (Time Limit) (Limitation Act 1963)

It prescribes the Time limit for different suits (cases) within, which a person can approach court for redress or justice. The suit or case filed after the time limit is struck by Law of Limitation. (3 Years)

Closure of accounts (Termination of banker Customer relationship)

Closure of accounts means the relationship between the banker and customer comes to an end. In other words, closing of bank accounts means termination of the relationship between banker and creditor.

- **Reasons of closure of accounts:**
  1. Intention of the customer to close.
  2. Intention of the banker to close.
  3. Death, Insanity and Insolvency of the customer.
  4. On receipt of notice of assignment or Garnishee Order.
  5. Mutual Agreement.

KYC (KNOW YOUR CUSTOMER) (KYC GUIDELINES U/S 35(A) OF BANKING REGULATION ACT 1949)

It is modern norm pushed by the RBI, with a view to collect detailed information of a person in whose favour, the account is to be opened. Banks open account only in the name of decent people and idea behind this norm is obvious to keep the undesirable persons with unsound background and anti-social people away from bank facilities.

Objectives of KYC:

1. To curtail the Misuse of banking facilities.
2. To categorise customers on the basis of social and financial status.
3. To curb the dangers of money laundering, fraud and anti-social and anti-national activities through banking.
4. To bring transparency in banking system.
5. To know their customers well.

Reserve bank has therefore advised commercial banks to frame their KYC policies incorporating the following elements:

1. **Customer Acceptance Policy.**
   1. No account should be opened in fictitious or anonymous name. (Benami Name)
   2. The Customer profile (prescribed format) containing information relating to the customers social and financial status, nature of business activity, information about

his client's business and their location, sources of funds, Annual income shall be obtained from all the applicants for opening SB/CA accounts.
3. The customer profile shall be updated on a periodical basis. (once in 3 years, Every year)

2. **<u>Customer Identification Procedure.</u>**
   1. It means identifying the customer and verifying his/her its identity by using reliable, independent source documents or information.
   2. Customer verification is carried out at different stages, i.e. while establishing a banking relationship, carrying out a financial transaction or when the branch has doubt about the authenticity of the customer.
   3. For opening the account, normally, the customer should come to the bank in person. An account shall not, normally be opened without a meeting between bank official and the customer.
3. **<u>Identification Documents to be submitted by Customer for opening the Account.</u>**
   1. Branches shall ask for documents to verify:
      a. The identity of the customer, his/her address location.
      b. His/her recent photograph.
   2. In case of joint accounts, applicants are required to independently establish their identity and address.
      Note: Original should be produced for verification and copy, duly attested by the verifying official, shall be kept along with account opening form.
      Aadhaar card, Voter Id, Pan Card, Driving Licence, Telephone Bill, Electricity Bill, Ration Card.
4. **<u>Furnishing Photographs.</u>**
   1. While tendering applications for open Sb/ current accounts in the names of individuals/ sole proprietary concerns, two copies of latest passport size photographs should be furnished.
   2. In case of Joint accounts, accounts of partnerships, Limited companies, clubs associations, societies, photographs of persons, officials who are authorised to operate the account. Karta's photograph in case of HUF.
   3. In case of term deposits, one copy of photograph shall be obtained provided the depositor does not have a savings or current account with the branch.
5. **<u>Introduction of Accounts to the banks.</u>**
   1. It is essential that the introducer should know the prospective account holder whom he/she is introducing for a sufficiently long time. The introducer should be in a position to identify or be able to give more particulars about the account holder.
   2. A Dialogue or enquiry with the introducer is had so that he/ she could be informed of his responsibility and the implications for introducing an account.
      <u>Introducers:</u>
      1. Employee of the Bank.
      2. Reputed/Respected Person.
      3. Person already having a bank account
         Introduction Letter.
6. **<u>Rejection of applications for opening accounts.</u>**
   1. Where the bank is unable to apply appropriate customer due diligence measures i.e. Unable to verify the identity and/ or obtain documents required as per the risk categories due to non-cooperation of the customer or the data and information furnished to the bank is not reliable to open the account.
7. **Relaxed KYC procedure or Norms.**
   1. Relaxed KYC procedure refers to acceptance of an introduction in lieu of full KYC procedure subject to certain conditions prescribed.

2. This relaxation is applicable for low income groups customers, individuals falling under the ‘No frill’ category persons affected by natural calamities like floods, tsunami, cyclone etc.
3. Low income group customers are those who keep balances not exceeding Rs 50000/- in all their accounts (FDR/CA/SB) taken together and the total credit summation in all the accounts taken together is no expected to exceed rupees one lakh (Rs 100000/-) in a year.

8. **Risk Management and Monitoring performance**.
    1. Internal Control systems
    2. Internal Audit/Inspection
    3. Identification and Reporting of suspicious transactions

9. **Training of Staff and Management.**
It is crucial that all the operating and management staff fully understand the need for strict adherence to KYC forms.

Difference between Traditional banking and Modern banking:

Basis	**Traditional Banking**	**Modern Banking**
Presence	Banks exist physically for serving the customers	Modern banks do not have physical presence as services are provided online
Time	It consumes lot of time as customers have to visit banks to carry out bank transactions	It doesn’t consume time as customers do not have to visit banks to check balances or to transfer money.
Accessibility	People have to visit banks only during banking hours	Modern banking is available at any time and it provides 24 hours access
Security	Traditional banking does not encounter e-security threats	Modern banking is tempting target for hackers. Security is one problem faced by customers
Expensive	Customers have to spend money to visit banks	Customers do not have to spend money to visit banks
Cost	The cost incurred by Traditional bank includes a lot of operating cost	Such costs are eliminated as the banks do not have physical presence
Customer service	Traditional banks, the employees and clerical staff of the bank can attend only few customers at a time	In Modern banking, the customers do not have to stand in queues to carry out certain bank transactions
Contact	Customers can have face to face contact in traditional banking	Customers can have only electronic contacts

UNIT-II
NEGOTIABLE INSTRUMENTS
Negotiable Instruments Act 1881

Negotiable: Transferable

Instrument: Written Document

Meaning of Negotiable Instruments:

Negotiable Instruments are documents that have money value and which are freely used in commercial transactions and monetary dealings that can be transferred from one person to another person.

Negotiable Instrument is a document which is transferable from one person to another person by delivery and Endorsement.

Definition of Negotiable Instruments:

According to K.C Wills: Negotiable Instruments is one the property in which is acquired by anyone, who takes it bonafide and for value now with standing any defect in tittle of the person from whom he took it.

Features of Negotiable Instruments:

1. Negotiability
2. Freely Transferable
3. Title free from Defects
4. Transferee has better title then transferor
5. No notice to Transfer
6. Amount must be certain
7. Infinite Transfer
8. Presumptions
9. Right to Sue
10. Credit of the party

Types of Negotiable Instruments: (2 Types)

1. Negotiable by statute
2. Negotiable by Custom or Usage

I] **Negotiable by Statute: (3Types)**

1. Promissory Note
2. Bill of Exchange
3. Cheque

1. **Promissory Note:**

Meaning: A Promissory Note is an instrument in writing (Not being a Currency or Bank Note) containing an unconditional undertaking signed by the maker to pay a certain sum of money only to or to the order of certain person or to the bearer of the instrument. (It is always drawn by the debtor i.e. maker of the instrument.

Features of Promissory Note:

1. Instrument in writing
2. Unconditional Undertaking
3. Clear promise to Pay
4. Maker should sign the Promissory Note
5. Maker and Payee should be certain person
6. The amount payable must be certain
7. Promise to pay Money only
8. Not a bank or Currency Note

Parties in Promissory Note:

1. Maker (One or more makers) (Giver or Debtor)
2. Payee (Receiver or Creditor)
3. Drawer or Drawee

Different Kinds of Promissory Notes:

1. Single Promissory Note
2. Joint Promissory Note

2. **Bill of Exchange:**

Meaning: It is a document or an instrument in writing containing unconditional order signed by the maker, directing a certain person to pay a certain sum of money only to, or to order a certain person of to the bearer of the instrument. (Creditor is the maker of the instrument)

Features of Bill of Exchange:

1. Written instrument
2. It must contain order to pay
3. It must be unconditional order
4. It should sign by the maker
5. Accepted by the debtor
6. Order to pay must be money only
7. Amount must be certain
8. It must be payable on Demand
9. Properly Stamped
10. Parties must be certain

Advantages of Bill of Exchange:

1. Written verification of Debt
2. Negotiable Instrument
3. Knowledge of Date of Payment
4. Cash Payment
5. Easy Transfer of money
6. Credit facility
7. Promotion of Foreign Trade
8. Financial Help

Different kinds of Bill of Exchange:

1. On the basis of Time:
   a. Demand Bill
   b. Time Bill
2. On the basis of Place:
   a. Inland Bill
   b. Foreign Bill
3. On the basis of Objective:
   a. Trade Bill
   b. Accommodation Bill
4. On the basis of Receiver:
   a. Bearer Bill
   b. Order Bill
5. On the basis of Documents:
   a. Documentary Bill
   b. Clean Bill

Parties in Bill of Exchange:

1. Drawer and Drawee
2. Payee
3. Holder
4. Acceptor
5. Endorser and Endorsee

3. **Cheque:**

Meaning: A Cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand. It means a cheque is an unconditional order to a banker to pay specific amount of money to a particular person on demand. Cheque looks like bill of exchange with two extra qualifications i.e. It is always drawn on a specific banker and It is always payable on demand.

Definition: Section 6 of Indian Negotiable Instrument act 1881, A cheque is a bill of exchange, drawn on a specified banker and not expressed to be payable otherwise then on demand.

Features of Cheque:

1. Instrument in writing or Printed form
2. An Unconditional Order
3. Drawn on a specified banker
4. Order to pay must be money only
5. Amount must be certain
6. Payee must be certain
7. Signed by the Drawer
8. Payment on Demand
9. Date of the Cheque
10. Amount should not be altered

Types or Kinds of Cheque:

1. **Open Cheque:** Open cheques are those which are payable at the counter.
   a. **Bearer Cheque:** A cheque which is payable to the bearer or possessor or whoever presents it to the bank.
   b. **Order Cheque:** An order cheque is one which is payable to certain person or to his word. A cheque in which it includes the word Order rather than bearer and where the word bearer is taken off or struck off by the customer.
2. **Crossed Cheque:** Crossing of cheque is the direction or instruction given by the customer to the banker as it contains two parallel transverse lines drawn across the face of the cheques which includes with or without the words '& Co', 'Not Negotiable', 'A/C Payee' between the parallel lines.

❖ **Who can cross a Cheque?**

1. Drawer
2. Holder of a cheque
3. Banker

a. **General Crossing:** A Cheque is said to be crossed generally when it bears across its face two parallel lines with or without the words '& Co', 'Not Negotiable', 'A/C Payee' between the parallel lines.

b. **Special Crossing:** A cheque is said to crossed specially when it bears across its face the 'name of the banker' with or without the parallel lines.

c. **Account Payee Crossing:** It is an instruction to the Collecting banker that he should collect the amount of the cheque for the benefit of payees account only. In other words, the amount of the cheque should be credited to payees account only.

d. **Not Negotiable cheques:** The word not negotiable will not make a cheque non-negotiable. The term is a warning or precaution to the holder or person who is going to receive such cheques through endorsement.

Other Types of Cheques:

1. Antedated Cheque
2. Post-dated Cheque
3. Stale Cheque (Outdated cheque)
4. Marked Cheque
5. Mutilated cheque
6. Open Cheque and Crossed Cheque.

Issue of Cheque: (Essentials)

1. Use of printed form
2. Complete cheque
3. Dating of cheque
4. Payees name
5. Amount in figures and words
6. Signature of drawer
7. Alterations
8. Crossing of Cheques
9. Counterfoil

Advantages of Cheque:

1. Safe method of payment
2. Funds easily transferable
3. Safety of money
4. Serve as a Receipt
5. Saving in the use of currency
6. Credit benefit
7. Convenient for payment

Dishonour of Cheque:

1. **Compulsory Dishonour of Cheque.**
    a. Garnishee Order
    b. Insolvency
    c. Insanity
    d. Death
    e. Notice of loss of cheque
    f. Forged signature or Stolen cheque
2. **Dishonour by willingness of the banker:**
    a. Not written or drawn properly
    b. Crossing is not done properly
    c. Insufficient funds
    d. Doubt of Holder
    e. Post-dated Cheque
    f. Stale cheque
    g. Amount mismatch (Words and Figures)
    h. No signature tallies

Material Alteration:

Meaning: Alteration refers to any changes made in the negotiable instrument.

- **Material Alterations:**
    1. Alteration of date
    2. Alteration of Amount
    3. Alteration of place of Payment
    4. Addition of New party
    5. Special crossing to general crossing
    6. Conversion of Bearer cheque to Order cheque

7. Blank Endorsement to Full Endorsement

Endorsement:

Meaning:

It means writing on the back of the instrument with the purpose of transferring a negotiable instrument. Endorsement must be made on the back of the instrument with an intension to transfer it to another person.

Essentials of Endorsement:

1. On the back of the instrument
2. Written in ink (In writing)
3. Signed by the endorser
4. Two or more parties
5. Name of the endorser
6. No use of Honourable words
7. Bearer cheque needs no Endorsement

Types of Endorsement:

1. **Blank or General:** When the Endorser just puts his/her signature without mentioning his/her name it is called as black or general Endorsement.
2. **Full or Special:** When the Endorser signs his/her name, mentioning the name of the endorsee it is called as full or special endorsement.
3. **Restrictive:** When the Endorser restricts the further negotiation of instrument by adding the word only it is called as restrictive endorsement.
4. **Partial:** When only part of the instrument is transferred it is called as partial endorsement.
5. **Conditional:** The Transfer of the instrument is made to depend on the fulfilment of a specified conditions. When the endorsement limits the liability of the endorser it is called as Conditional or Qualified Endorsement.
6. **Facultative:** When Endorser waives of some his rights it is called as facultative endorsement.
7. **Sans Recourse:** It means without recourse to me. The endorser removes himself from his liability to the endorsee.
8. **Sans Frais:** When the Endorser does not want any expenses to be incurred on his account on the bill it is sans frais endorsement.

General Rules of Endorsement:

1. Signature
2. Spelling
3. No addition or Omission
4. Prefix and Suffix excluded
5. Endorsement by firms and companies
6. Endorsement by public authorities

Advantages of Endorsement:

1. Good title to endorsement
2. Genuine one
3. It is regular
4. Paid at maturity

Parties in Endorsement:

1. Endorser
2. Endorsee

Bank Draft:

Meaning:

It is an order to pay money drawn by one office of bank upon another office of the same bank for a sum of money payable to order on demand.

Features of Bank Draft:

1. Instrument in writing
2. Unconditional order
3. It is payable on demand
4. It is always payable to order
5. It is exempted from stamp duty
6. It is or can be crossed like cheque
7. It is or can be endorsed like cheque
8. Its payment cannot be stopped easily

Parties in Bank Draft:

1. Issuing Branch. (Drawer Bank)
2. Paying Branch. (Drawee Bank)
3. Payee

Difference between Bill of Exchange and Promissory Note:

BASIS	BILL OF EXCHANGE	PROMISSORY NOTE
Drawer	A Bill of Exchange is Drawn by the Creditor	A Promissory note is drawn by the Debtor
Nature	A Bill of exchange is an order to pay	A promissory note is a promise to pay.
Acceptance	Acceptance of the drawee is necessary before it is presented	It doesn't need to be accepted
Parties	There are three parties in bill of exchange- the drawer, the payee and the drawee	There are two parties in promissory note – the maker and the payee
Drawer and Payee	The drawer and payee of a bill of exchange may be one and the same	The drawer and payee of promissory note can never be one and the same.
Stamp	The bill payable at sight need not to be stamped	A promissory note payable at sight needs to be stamped

Difference between Bill of Exchange and Cheque:

BASIS	BILL OF EXCHANGE	CHEQUE
Printed Form	It not to be drawn in printed form.	It has to be drawn on printed form.
Acceptance	It requires acceptance.	It doesn't require acceptance.
Drawn on person or bank	It can be drawn on any person including banker.	It can be drawn on banker only.
Crossing	It cannot be crossed	It can be crossed
Stamp duty	It requires Stamp duty.	It doesn't require stamp duty.
Grace Days	It is entitled to three grace days	It is not entitled to any grace days.
Payable	It is payable on demand or after fixed date.	It is payable only on demand.

Difference between Cheque and Promissory Note:

BASIS	CHEQUE	PROMISSORY NOTE
Parties	There are three parties to a cheque i.e. drawer, Drawee and Payee.	There are only Two parties to a P. Note i.e. Maker and Payee.
Payable	It is always payable on demand	It is payable either on demand or after fixed date.
Order or Promise	It is an unconditional order to pay.	It is an Unconditional promise to pay money only.
Preparation	It is drawn by the creditor.	It is drawn by the debtor.
Media	A cheque is a means of payment.	A P. Note is a means of borrowing.

Crossing	A cheque can be crossed.	A P. Note cannot be crossed.
Stamp Duty	It doesn't require any stamp duty.	It requires stamp duty.
Grace days	It is not entitled to any grace days.	It is entitled to three grace days.
Who pays the amount	A cheque is required to be paid by the drawee i.e. banker	A P. Note is required to be paid by the maker himself.

Difference between General Crossing and Special Crossing:

BASIS	**GENERAL CROSSING**	**SPECIAL CROSSING**
Two parallel lines	It requires drawing of two parallel lines.	It doesn't require drawing of two parallel lines.
Name of the bank	It doesn't carry the name of the bank.	It carries the name of the bank.
Presentment	It can be presented through any banker.	It must be presented only through specified banker.
Conversion	Its conversion to special crossing doesn't amount to material alteration	Its conversion into general crossing amounts to material alteration. (Obliteration)
Safety	It is Safe	It is Safer.

Specimen of Bill of Exchange:

Rs. 10,000 **Place: Hubballi**
Date: 01.01.2020

On Demand (or three months after date) Pay XXXXXXX or Order the sum of Ten thousand rupees only for value received.

To,
Xxxxxxxxx
Vidyanagar,
Bangalore- 580032

Accepted

Stamp Duty
Signature
(Name)

Specimen of Promissory Note:

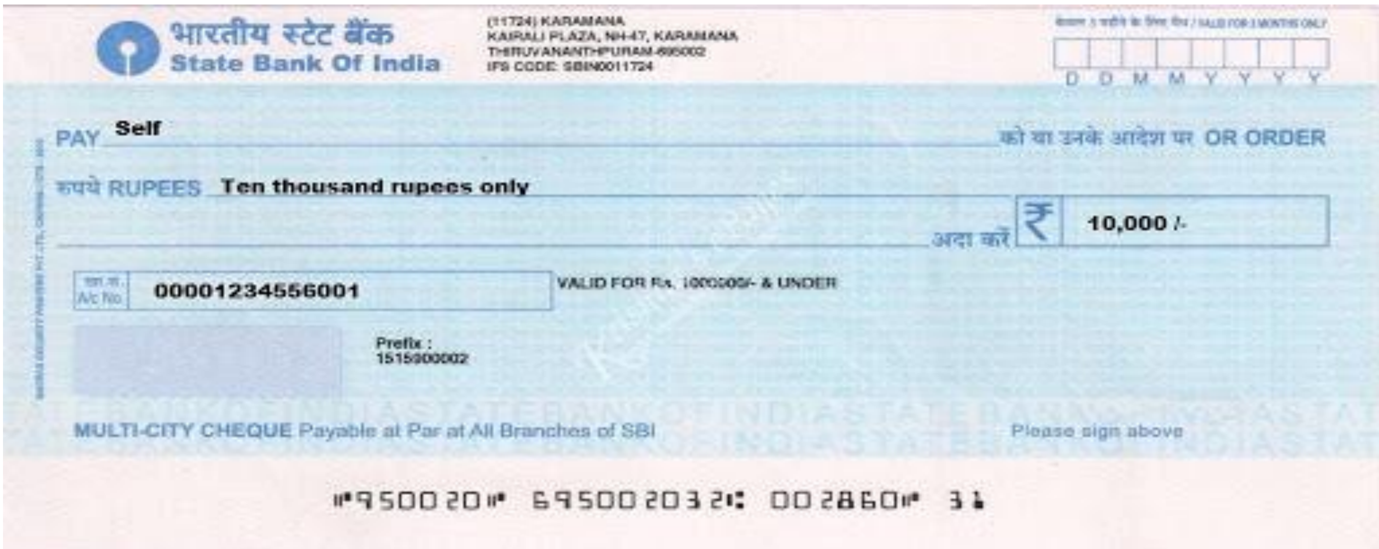
Rs. 10,000 **Place: Hubballi**
Date: 01.01.2020

On Demand (or three months after date) I promise to pay XXXXXXX or Order the sum of Ten thousand rupees only for value received.

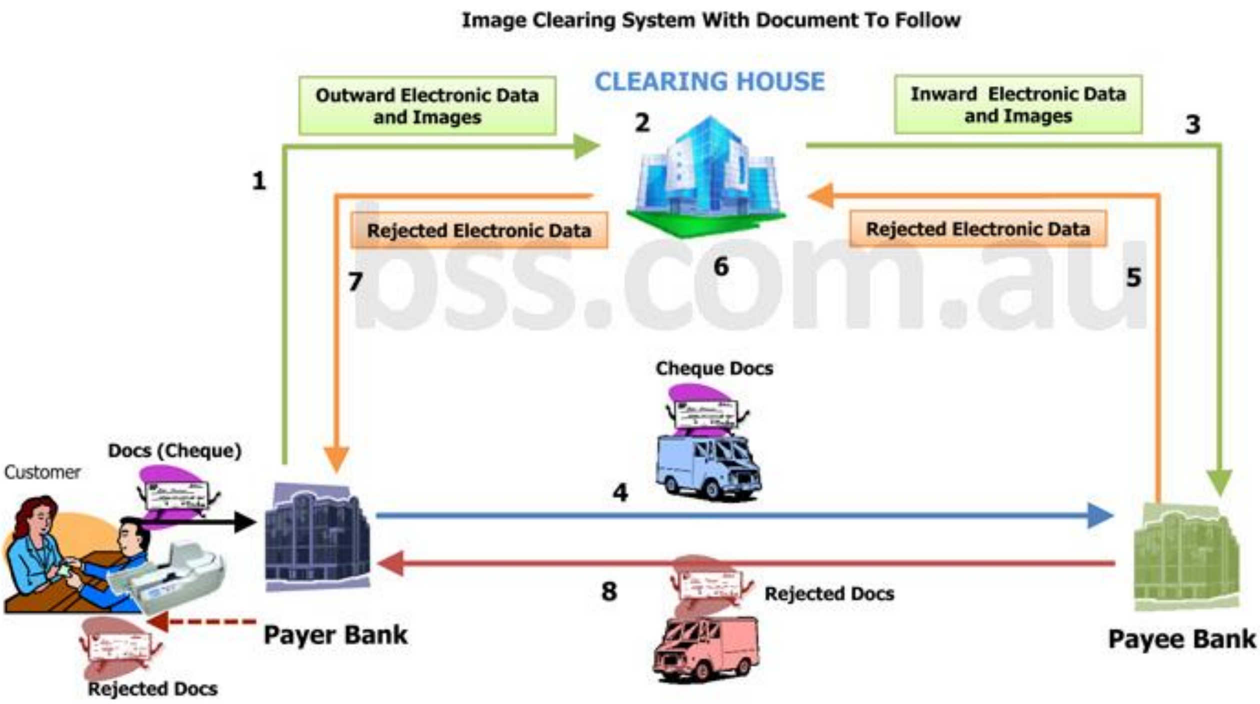
To,
Xxxxxxxxx
Vidyanagar,
Bangalore- 580032

Stamp Duty
Signature
(Name)

Specimen of Cheque:



Cheque Collection Procedure:



UNIT-III
PAYING BANKER

Meaning of PAYING BANKER:

The Banker who makes payment on the cheque is known as paying banker. (He is also known as Drawee Banker)

It is the obligation of the banker to honour the customers cheque drawn on him for making the payment. When the banker makes the payment against the cheque, such banker is known as paying banker.

The banker on whom the cheque is drawn and who has to make the payment of the cheque is called as paying banker or Drawee Banker.

❖ **Precautions to be taken by banker before payment:**

1. Proper form of cheque
2. Presentment of cheque at the bank where the account is maintained
3. Sufficient funds
4. The funds must be properly applicable.
5. Presentment during business days and hours
6. Drawers Signature
7. Date of the cheque
8. The amount of the cheque
9. Material Alteration
10. Endorsements
11. Mutilated Cheque
12. Open or Crossed Cheque

❖ **Dishonour of cheques: (Compulsory Dishonour)**

1. When the customer has countermanded payment.
2. When bank has received the notice of customers death.
3. When the customer has become insolvent.
4. When the bank has received the notice of insanity of the accounts.
5. When the banker has received garnishee order.
6. When the banker has received the notice of assignment.
7. Closing of Account.

❖ **Conditions to Dishonour Cheques: (Willingness of the banker)**

1. When the cheque is not properly drawn.
2. When the Post-dated cheque is presented.
3. When the Undated or stale cheque is presented.
4. When the cheque is presented after banking hours.
5. Where the cheque is materially altered.
6. Insufficient Funds.
7. Where the cheque presented at a branch where the customer has no account.
8. When the amount of the cheque expressed in words and figures differs.

❖ **Wrongful Dishonour of Cheques:**

When the banker dishonours the cheque without proper reasons, banker becomes liable to compensate the customer for any loss or damage caused to the customer.

- **Kinds of Damages:**

1. Ordinary Damages
2. Special Damages
3. Nominal Damages

❖ **Statutory Protection to Paying Banker:**

1. **Bearer Cheques:** The paying banker is fully protected if he makes the payment to the bearer or even if there is forged endorsement on the cheque.
2. **Crossed Cheques:** The Paying banker has the obligation to make the payment in the crossed cheque as per the instructions of drawer.
   So, protection to the paying banker for payment of crossed cheques is subject to conditions:

1. Payment in Due Course
2. Payment to demand to the True owner

3. **Order Cheques:** The paying banker is given statutory protection under section 85A of the negotiable instruments act to payment of order cheques. The section gives protection to the paying banker regarding the draft having a forged endorsement, subject to fulfilment of certain conditions:
   1. The endorsement should be regular
   2. The Payment should be payment in due course
4. **Payment of cheque with Material Alterations:** If the materially altered cheques are paid, the paying banker will get the protection as per section 89 of the negotiable instrument act 1881, provided he has to satisfy following conditions:
   1. The payment should be made in due course
   2. The alteration should not be apparently clean
   3. In good faith and without negligence
5. **Payment in Due Course:** It means payment in accordance with the apparent tenor of the instrument in good faith and without negligence to any person in possession thereof under circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment of the amount therein mentioned.

Thus, payment in due course should satisfy four points:

1. Payment
2. Payment in accordance with the apparent tenor
3. Payment in Good faith and without negligence
4. Legal Holder of the cheque

Meaning of Collecting Banker:

The banker who collects the cheques and bills on behalf of the customers is known as collecting banker. A collecting banker is therefore, one who receives the cheque from
his customers for collection of the amount from the drawee bank. (As holder for value, As an agent of the customer)

Rights and duties of a collection banker:

1. Collection for customer
2. Customer with paper introduction
3. Crossed cheque
4. Collection within reasonable time
5. Collection for proper account
6. Routine procedure for collection

Statutory Protection to Collecting banker:

1. Protection to the banker for collection of crossed cheque
2. No protection for collection of open cheques
3. Payment must be received on behalf of customer
4. Protection for payment received in good faith and no negligence
5. As agent of the customer

Meaning of Clearing Houses: Clearing is the process by which banker exchanges the cheques drawn against another banker and received by him for collection or clearance from his customer.

Cheque Drop Box Facility: Customers are required to drop their cheques for collection in the boxes and banks does not give an acknowledgement of the cheque on the counterfoil, as was the usual practice till today.

Cheque Truncation System: OR Image based Clearing System: CTS is basically an online image-based cheque clearing system where cheque images and magnetic ink character recognition data are captured at the collecting bank branch and transmitted electronically.

TRUNCATION means stopping the flow of the physical cheques issued by a drawer to the drawee bank.

UNIT-IV
BANK ADVANCES

Meaning: Accepting deposits for the purpose of lending is primary function of a banker. Banker collects deposits from the public and the same is given as advance to the public as short term, medium- and long-term loans. Advances and Investments are assets of a banker.

❖ **Sources of Bank Funds:**

1. **Owned Funds**
   1. Paid up Capital
   2. Reserves
      1. Capital Reserve
      2. General Reserve
      3. Other Reserve
2. **Borrowed Funds**
   1. Accepting Deposits
   2. Borrowings from RBI
   3. Borrowings from IDBI, NABARD
   4. Borrowings from money market and banks

❖ **Principles of Sound Lending or Good Lending or Governing Employment Funds:**

1. Principle of Liquidity
2. Principle of Safety
3. Principle of Profitability or Yield
4. Purpose
5. Borrowers Capital. Character and Capacity
6. Nature of Business
7. Legal Requirements
8. Nature of Funds
9. National Interest
10. Period

❖ **Employment of Bank Funds in different Assets:**

1. Liquid Assets (Cash on Hand, Cash with RBI and Cash with other Banks)
2. Semi Liquid Assets (Money at call and short notice and Bills discounted)
3. Earning Assets (Investment & Loans and Advances)

❖ **Precautions about the banker, customer and proposal:**

1. **About the customer:**
   1. Character
   2. Capital
   3. Capacity
2. **About the banker:**
   1. Liquidity
   2. Safety
   3. Profitability
3. **About the Proposal:**
   1. Purpose
   2. Security
   3. Sources of Repayment
   4. Period

❖ **Forms of Loans and Advances:**

1. Cash Credit
2. Overdraft
3. Bills Discounted
4. Loans

1. **Cash Credit:** It is a short-term loan given by the banker to customer against a tangible security or promissory note signed by at least two parties.
   It is an arrangement in which customer borrow money up to certain limit. Usually the bank fixes the cash credit limit on the actual amount utilised by the borrower and it is usually made against the security of commodities hypothecated or pledged with the bank.
   Features of Cash Credit:
   1. It is granted to any customer.
   2. It requires opening of a separate account called cash credit account.
   3. It is granted against tangible security or guarantee.
   4. Interest charged on the amount actually utilised.
   5. It is an active and running account which can be operated frequently.
   6. Banker levies commitment charges on the unutilised part of cash credit limit.
2. **Overdraft:** It is a temporary loan given by the banker to customer against the current account. Overdraft means the current account holder can withdraw the amount more than the balance maintained in the account. Interest is charged on the amount actually utilised by the borrower and not on the amount sanctioned.
   Features of Overdraft:
   1. It is granted to only current account holders.
   2. Opening of new account is not necessary unlike cash credit.
   3. The rate of interest is high compared to cash credit.
   4. It is granted against either collateral security or against personal security of the borrower.
   5. It is an active and running account to which deposits and withdrawals can be affected frequently.
   6. Interest is charged on the actual amount overdrawn.
   7. Banker levies commitment charges on the unutilised portion.
3. **Bills Discounted and Purchased:** Bill discounting means taking the bills of exchange receivable by a customer and paying him the amount of bill before maturity after deducting their discount charges. When the bill matures, the banker as its holder presents it to the acceptor or debtor and receives or recovers the amount.
4. **Loans:** Loan is a financial arrangement under which an advance is granted to a borrower on a separate account called loan account. When a loan is sanctioned it is paid to the borrower in one lump sum either in cash or by transferring the amount of the loan to borrowers account.
   A loan is given for a definite purpose and for definite period of time, loans are usually granted against collateral security or against the personal security of the borrower and generally these loans are repayable on instalments.
   Features of Loan:
   1. It is granted to any customer.
   2. It requires opening of separate\e account called loan account.
   3. The amount of loan sanctioned is usually withdrawn by the borrower in one lump sum.
   4. Interest is charged on whole loan whether used by the borrower or not
   5. It is permanent financial accommodation.
   6. The rate of interest is less compared to OD and CC.
   7. It is granted against the collateral security or against the guarantee of a third person.

Types of Loans:

1. Short Term (1 Year for working capital purpose)
2. Medium Term (2 to 5 Years to purchase durable goods like vehicles, appliances and tools and machinery)
3. Long Term (10 to 20 Years to meet capital investments in industry or agriculture or housing loans)
4. Bridge loan (To meet Immediate expenditure pending disposal od requests for long term loans)
5. Composite loan (Loan granted for both buying capital assets and for working capital purpose)
6. Personal Loan (Loan given to individuals either employed or engaged in business and having a steady income to purchase consumer durable goods)

SECURED AND UNSECURED LOANS:

Secured Loans: these are the loans granted by the banker by obtaining security equal or more than the loan amount. In other wards a secured loan is the one in which specific property is pledged to secure payment of the loan. Ex: Shares, LIC policies, Goods and fixed deposits receipts.

Unsecured Loans: These are the loans granted without any security or on personal security of the borrower. Ex: Overdrafts, Consumer loans, loans to professionals, loans to weaker sections of the society.

SECURED ADVANCES OR MODES OF SECURING ADVANCES:

Secured advances are those advances which provide absolute safety to the banker by means of a charge created on the tangible assets of the borrower in favour of the banker. In such cases, the banker gets certain rights in the tangible assets over which a charge is created.

1. Lien
2. Pledge
3. Hypothecation
4. Mortgage
5. Assignment

1. **Meaning of Lien:** Lien is the right of a creditor to retain the goods and securities in his possession belonging to the debtor, until his debt is repaid. Lien is the right to retain the goods but not to sell the goods.

- **Types of Lien:**

3. General Lien.
4. Particular Lien.

3. **General Lien:** It is the right of the creditor to retain any property belonging to the debtor until the debt is repaid. Ex: Banker, Wharfingers and Attorney generals.
4. **Particular Lien:** It is the right of the creditor to retain a particular property belonging to the debtor until the debt is repaid. Ex: Watch repairer, Goldsmith, Taylor and Doctors.

- **Conditions of Lien:**

7. Possession of Goods.
8. Possession of Goods lawfully obtained.
9. No Agreement. (Implied Pledge)
10. Debts Due.
11. Securities should belong to customer.
12. Goods deposited for specific purpose.

- ❖ **Exemptions of Bankers Lien:**
  6. Safe Custody Deposits.
  7. Securities left with bank Adherently. (Unknowingly)
  8. Money or Bills deposited for specific purpose.
  9. Accounts in Different capacity.
  10. Contingent Debts.
- ❖ **Conditions when a banker can exercise Lien:**
  6. Goods are in his possession.
  7. Lien on title of goods
  8. Funds deposited by customer in the bank.
  9. Life Insurance Policy.
  10. Fixed Deposit Receipt.

2. **Meaning of Pledge:** Pledge means delivery of goods of documents of title to goods from one person to another with an intension of creating thereon as security for the debt. When the debt is discharged goods must be returned to bailor.

As per section 172 of the Indian contract act 1872, Pledge is a bailment of goods as security for payment for payment of debt or performance of a promise.

Parties in Pledge:

1. Bailor or Pledger
2. Bailee or Pledgee

Essentials of Pledge:

1. Delivery of goods
2. Specific Purpose
3. Return of goods
4. Possession of goods

Rights and Duties of a pledger:

1. Rights to receive goods till sold.
2. Rights to receive a reasonable notice.
3. Rights to receive surplus from sale proceeds.
4. Right to ask for damages on the ground of conversion.
5. Right to receive if any profit arises.
6. Duty to repay loan.
7. Pledger should bear the expenses.
8. Pledger should indemnify to the pledgee.
9. Pledger should disclose the faults on goods.

Rights and duties of the Pledgee:

1. Right to retain the goods.
2. Right of particular lien.
3. Right to receive extra ordinary expenses.
4. Right in case of default.
5. Right to retain the goods for subsequent advances.
6. Reasonable care of goods.
7. Duty to return the goods.
8. Duty to return the profits.
9. Not to mix pledged goods with other goods.

Bailment of goods: Section 148, defines bailment as ‘the delivery of goods from one person to another for some purpose upon the contract that the goods be returned when the purpose is accomplished or otherwise disposed of according to the instructions of the bailor.

3. **Meaning of Hypothecation:** It is the process of creating an equitable charge on specific movable property as a security for the amount of debt but ownership or possession of movable property of goods are not transferred to the creditor.
In other wards hypothecation is a transaction whereby money is borrowed by the debtor on the security of the movable property without parting with the possession of the movable property.

Parties in Hypothecation:

1. Hypothecator
2. Hypothecate

Essentials of Hypothecation:

1. It creates an equitable charge on movable property.
2. Ownership and possession of the goods is not transferred to creditor.
3. Latter of hypothecation.
4. The hypothecate will get the rights of hypothecator.

4. **Meaning of Mortgage:** Mortgage is another method of charging. Mortgage are the advances against immovable property. Immovable property includes land, buildings etc. Section 58 of transfer of property act, 1882 defines mortgage as ‘a mortgage is the transfer of an interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan an existing or future debt or the performance of an engagement which may give rise to liability.

Parties in Mortgage:

1. Mortgager
2. Mortgagee

Essentials of Mortgage:

1. Specific immovable property
2. Transfer of Interest
3. Handling over the possession
4. Special Purpose
5. Right to sale
6. Reconvening the interest of property
7. Competent to transfer

Classification or types of Mortgage:

1. Simple Mortgage
2. Mortgage by conditional sale
3. Usufructuary mortgage
4. English Mortgage
5. Equitable Mortgage
6. Anomalous Mortgage
7. Legal Mortgage

Rights of Mortgagee:

1. Right to sale of mortgaged property.
2. Right to sue for mortgage money.
3. Right of foreclosure.
4. Right of possession of any accession to mortgaged property.
5. Right to recover the amount.

Rights of Mortgagor:

1. Right to Redemption
2. Right to make copies of or extracts from the title deeds.
3. Right against consolidation.

5. **Meaning of Assignment:**

Assignment means transfer of existing or future right, property or a debt by one-person tom another person. On assignment of property the assignee will get absolute control over it and other creditor of the debtor can have priority over the assignees claim.

Parties in Assignment:

1. Assignor
2. Assignee

- **LETTER OF CREDIT:**

Meaning of LOC: A letter of credit is a guarantee given by the importer's banker to the exporter regarding payment of goods exported. On the strength of bankers guarantee the exporter dispatches the goods.

Parties in Letter of Credit:

1. Issuing Bank 2. Applicant 3. Beneficiary 4. Negotiated Bank 5. Advising Bank

- **Technical Terms:**

1. Consortium Advance
2. Participation certificates
3. Commercial paper
4. Treasury bills
5. Gilt-Edged securities.

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UNIT-V
TECHNOLOGY IN BANKS

Meaning of Electronic banking:

E-Banking is also known as Electronic Banking. It refers to perform the basic functions transactions by customers round the clock through Electronic media.

When the delivery of banks service to a customer at his office or home by using electronic technology is called Electronic Banking.

Electronic Banking refers to conducting the banking activities with the help of information technology and computer.

❖ **Features of Electronic banking:**

1. Introduction of MICR
2. EFT system
3. Cheque Truncation Technology
4. Personal Computer Problem
5. 24*7 days service
6. Development of Plastic card
7. Shopping Products

❖ **Facilities or Service of Electronic Banking:**

1. Account can be opened in any branch.
2. Shifting of Account through internet.
3. Withdrawal of money.
4. Deposit of money
5. Electronic Fund Transfer.
6. Computerised Message Transfer.
7. Credit/Debit Cards.
8. Video phone.
9. Internet and Mobile Banking.
10. SWIFT/NEFT/RTGS.

❖ **Advantages of Electronic Banking:**

To customers:

1. Open account anytime and anywhere.
2. Fund transfer
3. Convenience
4. Anytime banking
5. Reduce cost of banking
6. Cash withdrawals
7. Electronic shopping mail
8. Payment of bills
9. Speed banking (Less time consuming)

❖ **Advantages of Electronic Banking:**

To Bank:

1. Innovative
2. Economy
3. Reduced Fraud
4. Marketing Tool
5. Anywhere Banking
6. Reduce load on branches
7. Competitive Advantage
8. Maintain Cordial Relationship
9. Attracting Customers

- **<u>Advantages of Electronic Banking:</u>**
  <u>To Traders:</u>
  1. It helps to increase business
  2. Globalising Trade
  3. Purchasing power increases
  4. Immediate payment
  5. Reduces risk of cash handling
- **<u>Advantages of Electronic Banking:</u>**
  <u>To Government:</u>
  1. Global market to national products
  2. Customer will promote exports
  3. Globalisation of E-Commerce
  4. Reduces cash handling risk
- **<u>Advantages of Electronic Banking:</u>**
  <u>To Bank Employees:</u>
  1. To avoid filling forms
  2. Convenience
  3. Safety
  4. Cheaper service
  5. Easy customisation
  6. Cover cost of installation and maintenance
- **<u>Disadvantages of Electronic Banking:</u>**
  1. High Start-up Cost
  2. Training and Maintenance
  3. Lack of Professional
  4. Security Issues
  5. Restricted business
  6. Risk and Fraud
- **Functions or Products of Electronic Banking:**
  1. Centralised Banking Solution
  2. Online Tax Payment
  3. Corporate Internet Banking
  4. Online Shopping
  5. Retail Internet Banking
  6. E-Money
  7. Debit and Credit Cards
  8. Online Bill Payment
  9. Account Enquiry
  10. Online Trading
  11. Statement of Accounts
  12. Electronic Clearing House

<u>Meaning of Internet Banking:</u>

It refers to the performance of banking business through internet by using computer, laptop or smartphones. Internet banking involves use of Internet as a medium of communication for assessing and utilising banking and financial services.

- **<u>Features of Internet Banking:</u>**
  1. The bank should have Internet facility.
  2. Customer should have Internet facility.
  3. Service must be available on Net.
  4. Customer should be given password.
  5. Facility must be available at reasonable cost.

- **Benefits of Internet Banking:**
  1. Convenience
  2. Transmission of funds
  3. 24*7, 365 days banking
  4. Low establishment cost
  5. Low Service Cost
  6. Quick Service
  7. Increase in Profit and Reputation
- **Objectives of Internet Banking:**
  1. To provide convenience
  2. Minimise cost
  3. Accurate delivery of services
  4. To avoid Human errors
  5. To make service available for large no of customers
  6. Quick transmission of funds
  7. To minimise staff force
  8. To reduce cost of infrastructure
  9. To optimise utilisation of resources
  10. To make service available 324*7, 365 Days
- **Modern Services of Banks:**
  1. Centralised Banking Solution
  2. Corporate Internet Banking
  3. Retail Internet Banking
  4. Online Railway Reservations
  5. Online Ticket Booking
  6. Online Trading
  7. RTGS
  8. Online Tax Payment
  9. Online Shopping
  10. Foreign Exchange
  11. Electronic Fund Transfer
  12. Online Bill Payments
  13. Customer Care Facility
  14. ATM