

**Content:**

Introduction-Meaning - Procedure for Opening Bank Accounts - Maintaining of Bank Statements-Different Forms used in Banks Modern Banking Services – Types of Accounts/Deposits – Core Banking Solutions – No Frills Account - Common Banking Services.

Learning Objectives

- To understand the procedure for opening bank account
- To familiarize with different forms used in banks.
- To know various deposits available in banks.

All the business entities regardless of its nature and size of commercial activities, aims to gain profits out of its operations. Therefore, soon after its establishment, it becomes mandatory for the business unit to open a bank account from one or more banks for easy financial dealing.



Fig.8.1 Office Management Related Banking Services

8.1 Introduction

Modern office management needs banking services for its day to day operations. At every stage of its business operations, an organisation is required to open bank accounts irrespective of its nature, size and volume of business. Amongst various services like education, transport, insurance, health, information technology etc, Banking services are very important as it involves in commercial activities called profit making. Business is mainly conducted to mobilize funds.

8.1.1 Meaning:

The word “Bank” is derived from an Italian word “Banco” which means bench for keeping, lending and exchange of money or coins. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. Banking is a customer oriented service industry. The customers may be an individual, organisation or firms. Organisation needs to run the business. Many of the organisations approach banking services to run their business successfully.

“Banking is defined as accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise “ – **The Banking Regulation Act, 1949**

8.1.2 Procedure for Opening Bank Accounts:

- Choose a Bank or Credit Union
- Visit the convenient Bank Branch or Website.
- Pick the product you want whether savings or current account etc.,
- Provide your information
- Consent to the terms
- Fund your account

Basic steps required to open bank accounts:

- (i) At least two forms of government issued photo identification such a valid driver's license or passport.
- (ii) Social security number or individual taxpayer identification number.

- (iii) Utility bills with current address information.

8.1.3 Maintaining of Bank Statements:

Basically, the bank statements are required to keep tracking of routine business transactions and to monitor other transactions through bank account. Generally a savings account is opened for individual operations of a person, whereas, we have to necessarily open a current account for our business operations. The periodical bank statements are collected either in person or through mail to do Bank Reconciliation statements at our office regularly.

Having all of statements available when prepare your taxes will help the confirm income and track deductible expenses accurately. This holds true whether receive statements by mail or electronically.

Statements from bank and credit card companies arrive regularly, either by mail or electronically. Reviewing them is an important step in keeping finances in order, but several factors affect how long should hold on to bank and credit card



Fig.8.2 Banking Services

statements. In most cases should save them at least until filed taxes for that year and resolved any pending fraud disputes, but storing them away for longer may pay off in the future.



Fig.8.3 Online Banking

8.1.4 Different forms used in banks:

Generally speaking a deposit challan is called bank form. A deposit slip is a small paper form that a bank customer includes when depositing funds into a bank account. A deposit slip by definition, contains the date, the name of the depositor, the depositor's account number, and the amounts being deposited.

Some of the important forms used in banks other than challan form:

- Withdrawal slips
- Cheque Book
- Demand draft form
- Debit card / Credit card form
- Bank Statement requisition form
- Personal Loan/Business Loan Application/agreement form/Cash credit application form

- Letter of credit form
- Identity verification form
- KYC form

8.1.5 Modern Banking Services:

During the year 1991-1996, after the successful implementation of Liberalisation, Privatisation and Globalisation (LPG) our economy had touched new heights, not only in our economy and also in our trade and commerce. All Indian banks were forced to compete with world banks that were permitted to open their branches in India. As a result, all banking customers were offered multiple and model banking products which are different from traditional and conventional banking systems in India and these banking functions are mostly based on information technology.



Fig.8.4 Bank Statements and Pass Book

8.1.6 Types of Accounts/Deposits:

(i) Savings Accounts:

Savings accounts are meant for encouraging savings habit among the customers and also giving a protected environment to their savings.

(ii) Current Accounts:

Current accounts are normally maintained by business people. Banks are not offering any interest to such current accounts. Withdrawals from current accounts are not restricted.

(iii) Term Deposits:

Term deposits are maintained for the depositors who want to earn fixed return by way of interest. Term deposits are normally divided into short term deposits, medium term deposits and long term deposits.

(iv) Recurring Deposits:

Recurring deposits are other types of deposits which are also considered as a term deposit in which a fixed sum of money is regularly deposited at regular intervals.

(v) Special Term Deposits:

This deposit can be opened in the same way as the term deposit accounts. The interest on this account is compounded at quarterly intervals and the principal and interest are paid on maturity.

8.2 Core Banking Solutions:

Modern banking services include new products such as Core Banking Solutions: No frills account; Demat accounts; Net Banking /E-Banking; Mobile Banking; Debit card/Credit cards; Automated Teller Machines (ATM); Insurance etc.,

8.3 No-Frills Account:

These accounts are opened mostly in rural areas as a part of a financial inclusion project encouraged by the Reserve Bank of India. These accounts are opened by banks without the condition of maintaining minimum balance.

This was until the Reserve Bank of India introduced a “no-frills Account” which aims at providing all necessary banking facilities to consumers at minimum or nil charges. No-frills bank accounts require zero or very low minimum balance. Banking services such as withdrawals and ATM and Debit card facilities at zero charges to enable universal access to banking facilities. No-frills bank accounts are now known as Basic Saving Bank Deposit Accounts.

8.4 Common Banking Services:

(i) Introduction: An establishment authorized by a Government to accept deposits, pay interest, clear cheques, advance loans, act as an intermediary in financial transactions, and provide other financial services to its customers. People earn money to meet their day-to-day expenses on food, clothing, education of children, housing, etc.

(ii) Savings Money: They also need money to meet future expenses on marriage, higher education of children, house building and other social functions. These are heavy expenses, which can be met if some money is saved out of the present income. Saving money is also necessary for old age and ill health when it may not be possible for people to work and earn their living.

(iii) Necessity of Banking services:

The necessity of saving money was felt by people even in older days. They used to keep money in their homes. With this practice, savings were available for use whenever needed, but it also involved the risk of loss by theft, robbery and other accidents. Thus, people were in need of a place where money could be saved safely and would be available when required.

(iv) Banks: Banks are such places where people can deposit their savings with the assurance that they will be able to withdraw money from the deposits whenever required. People who wish to borrow money for business and other purposes can also get loans from the banks at a reasonable rate of interest. Bank is a financial institution that accepts deposits and channels the money into lending activities.

(v) Lawful Organisation: “Bank is a lawful organization, which accepts deposits that can be withdrawn on demand. It also lends money to individuals and business houses that need it.” Banks also render many other useful services – like collection of bills, payment of foreign bills, safe-keeping of jewellery and other valuable items, certifying the credit-worthiness of business, and so on. Banks accept deposits from the general public as well as from the business community. Anyone who saves money for the future can deposit his savings in a bank. Businessmen have income from sales out of which they have to make payment for expenses. They can keep their earnings from sales safely deposited in banks. Banks give two assurances to the depositors :

- a. Safety of deposits, and
- b. Withdrawal of deposits,

Banking Deposits: Whenever needed On deposits, Banks give interest, which adds to the original amount of deposits. It is a great incentive to the depositors. It promotes saving habits among the public. On the basis of deposits banks also grant loans and advances to farmers, traders and businessmen for productive purposes. Thereby banks contribute to the economic development of the country and well-being of the people in general. Banks charge interest on loans. The rate of interest is generally higher than the rate of interest allowed on deposits. Banks also charge fees for the various other services, which they render to the business community and public in general. Interest received on loans and fees charged for services are the main sources of income for banks from which they meet their administrative expenses.

The activities carried on by banks are called banking activities. ‘Banking’ as an activity involves acceptance of deposits and lending or investment of money. It facilitates business activities by providing money and certain services that help in exchange of goods and services. Therefore, banking is an important auxiliary to trade. It not only provides money for the production of goods and services but also facilitates their exchange between the buyer and seller. You may be aware that there are laws which regulate banking activities in our country. Depositing money in banks and borrowing from banks are legal transactions. Banks are also under the control of the government. Hence they enjoy the trust and confidence of people. Banks depend a great deal on public confidence. Without public confidence Banks cannot survive.

Points to be Remembered

Meaning :

A Bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans.

Types of Deposit :

Saving Deposit, Current Deposit, Recurring Deposit, Term Deposit and Special Term Deposit.

Procedure for opening bank account :

- Choose the Bank
- Visit the convenient branch
- Select the accounts
- Provide information
- Consent to the terms.
- Find your account.

Evaluation



PART – A

OBJECTIVE TYPES:

(1 Mark)

1. Choose the Correct Answer :

- _____ are very important as which involved in commercial activities.
a. Banking Services
b. Transport Services
c. Insurance Services
d. Maintenance Services **Ans. (a)**
- The Banking is a _____ oriented service industry.
a. Seller
b. Buyer
c. Customer
d. People **Ans. (c)**
- The bank statements are required to _____ the bank account.
a. Monitor
b. Accept
c. Read
d. Check **Ans (a)**
- All Indian Banks were forced to compete with _____.
a. Govt Bank
b Reserve bank
c. World Bank
d. Other Bank **Ans (c)**

5. Current accounts are normally maintained by _____ people
 a. Working b. Business
 c. Rural d. Royal **Ans (b)**
6. _____ Bank accounts require zero or very low minimum balance.
 (a) Demat (b) Savings
 (c) Current (d) No frills **Ans (d)**
7. _____ accounts encouraging savings habit among customers
 a. Savings b. Current
 c. Recurring d. Fixed **Ans (a)**
8. _____ are normally divided into short term, medium term long term deposits.
 (a) Recurring Deposit b. Term Deposit
 c. Current Deposit d. Special Term Deposit **Ans (a)**
9. Bank is a _____ institution that accepts deposits and lending activities
 a Non financial b. Financial
 c. Service Oriented d. Technical **Ans. (b)**
10. Banks depend a great deal on _____ confidence
 a Public b. Private
 c. Government d. Companies **Ans. (a)**

PART – B

- II. Very Short Answers: (3 Marks)**
1. Define the term Banking.
 2. Write a short note on core banking solutions.
 3. What is meant by no frills account?
 4. Write a note on Modern banking services.
 5. What are the basic steps required to open bank accounts?

PART – C

III. Short Answers:

(5 Marks)

1. What are the procedures for opening a bank account?
2. Write short notes in maintaining bank statements.
3. Explain the types of accounts.

PART – D

IV. Essay Type Questions:

(10 Marks)

1. What are the forms used in banks? Explain elaborately.
2. Explain common banking services elaborately.

ACTIVITY



Teachers Activity:

- Teacher can arrange for a guest lecture by inviting bank manager
- Teacher can arrange a field trip to visit a nearby bank.
- Teacher can discuss how to open a savings bank account.
- Teacher should explain how to deposit and withdraw money from the bank.

Students Activity:

Students should be asked to collect forms for opening an account, various deposit forms from the bank and fill it.

References :

1. <https://www.brainkarl.com/article>.
2. <https://www.mckinsey.com/industries/finance>.



GLOSSARY

1. **No-frills account:** These accounts are opened mostly in rural areas without the condition of maintaining minimum balance.
2. **KYC Forms:** KYC means to “Know your Customer” which is an effective way for an institution to confirm and thereby verify the authenticity of a customer.
3. **Current account:** A current deposit account meant for the business class, where no interest is paid and withdrawal is allowed without notice.
4. **Customer:** The Individual who purchases the services from the bank.
5. **Fixed deposit:** A deposit kept for a specified term to earn interest.
6. **Recurring deposit:** A stipulated sum of money deposited at regular interval in a bank which is payable at the expiry of the fixed period.