

NIOS lesson adaptation project

by  **Embrace** The power within you! Volunteers

(A community initiative of Harchan Foundation Trust)

CHAPTER -9

BANKING SERVICES

This project is aimed at supporting children with different needs. Information provided is adapted to the best of knowledge by the volunteers. For complete information please refer to the NIOS resources in <https://www.nios.ac.in/online-course-material/secondary-courses.aspx>.



Banking Services



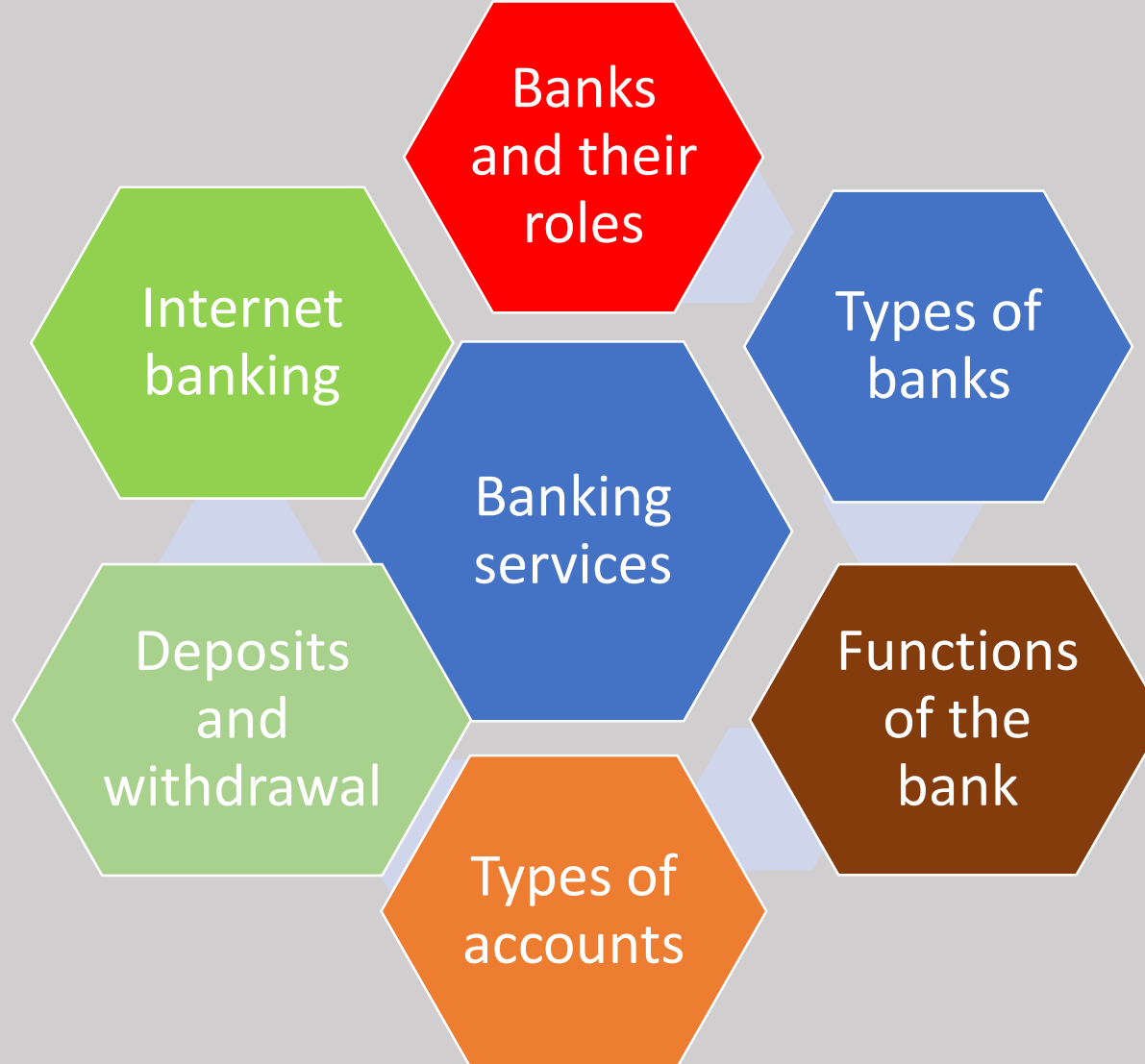
Meaning of key words

Bank	Lawful organisation that deals with money
Deposit	Money that is put in the bank
Interest rate	The money paid by the bank on our deposits The money charged extra when we take loans
loan	The money borrowed from a bank that is returned with interest
Withdrawal	The money we take from the bank when we need the same.

KWL Chart

K- What does the child KNOW	W-What does the child WANT to know	L-What has the child LEARNT
	Meaning of a bank	
	The role of Banking	
	Different types of banks	
	Functions of a commercial bank.	
	Types of accounts	
	How to open a account	
	How to operate an account	
	Internet banking	

Map of the lesson



Let us list the name of banks we know

What does a Bank do? How does it help us?

Let us see some examples

Mr. A works in a software company. His company pays him a salary every month for his services. This salary is credited by the company in a bank. Mr. A withdraws money needed for his expenditure . He leaves the remaining money in the bank as savings.

Mr. X is a shopkeeper. He has a stationery shop in Bengaluru. He is currently doing retail business. He wants to expand his business also to wholesale selling of stationery items. He approaches the bank for loans to start his business. The bank will check if he can pay back the loans before giving him the loan

Mrs T is a house maid. She earns about Rs. 10,000 a month . She wants to save money to educate her daughter. She is very excited that her daughter will be going to college next year. She saves Rs. 1000 every month towards the same in a bank.

What is a bank?

Bank is a lawful organisation, which accepts deposits that can be withdrawn on demand.

It also lends money to individuals and business houses that need it.



Accepts deposits

- People
- Organisations



Provides Loans

- Personal loans
- Business loans

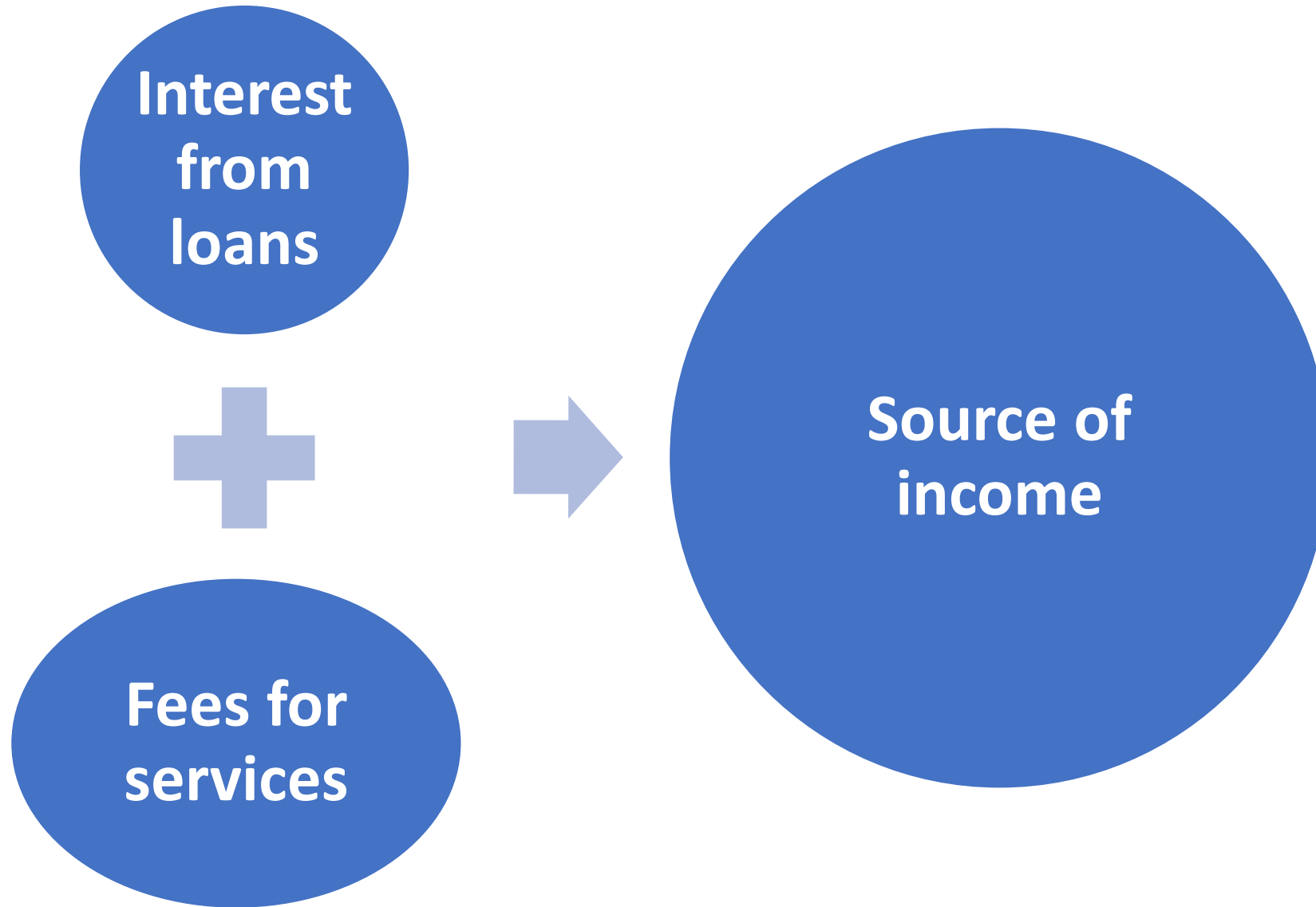


Intermediary Functions

- Collection of Cheques
- Payment of foreign bills

How do banks make profits?

- ☐ Banks increase the economic activity of the country.
- ☐ Banks pay loans to farmers, traders and business for increasing their
- ☐ Production and profits.
- ☐ Banks charge interest for the loans they give.
- ☐ They charge fees for the various services they render to the business communities and public.
- ☐ Interest received and fees charged for services are the main source of income from which the bank meets administrative expenses.



Differences between banks and money lenders

Basis	Banks	Moneylenders
Entity	Banks are organised institutions	Money lenders are individuals
Activity	Banks accept deposit and give loans	Money lenders do not accept deposits
Clients	Banks meet the needs of the general public	Meet the needs of the poor and the needy
Security	Banks take tangible and personal credit worthiness as security	Money lenders usually take gold, silver or land as security
Process of recovery	Is flexible	Very rigid
Interest rate	Interest rate is determined by the Reserve bank of India	Interest rate is determined by the Money lender

Role of banking

- ☐ It increases the **saving** capacity of the people.
- ☐ It acts as an **intermediary** between people who have surplus money
- ☐ And people who are in need of money.
- ☐ It facilitates business transactions receipts and payments through **cheques** instead of currency.
- ☐ Banks provide short term **loans** and long term loans to businessmen.
- ☐ It helps in **import and export** transactions
- ☐ It helps in **national development** Ex: Loans to farmers
- ☐ It helps in improving the **standard of living** of people by giving personal loans.

Acronym for Role of Banking

Saving capacity

Intermediary capacity

Loans

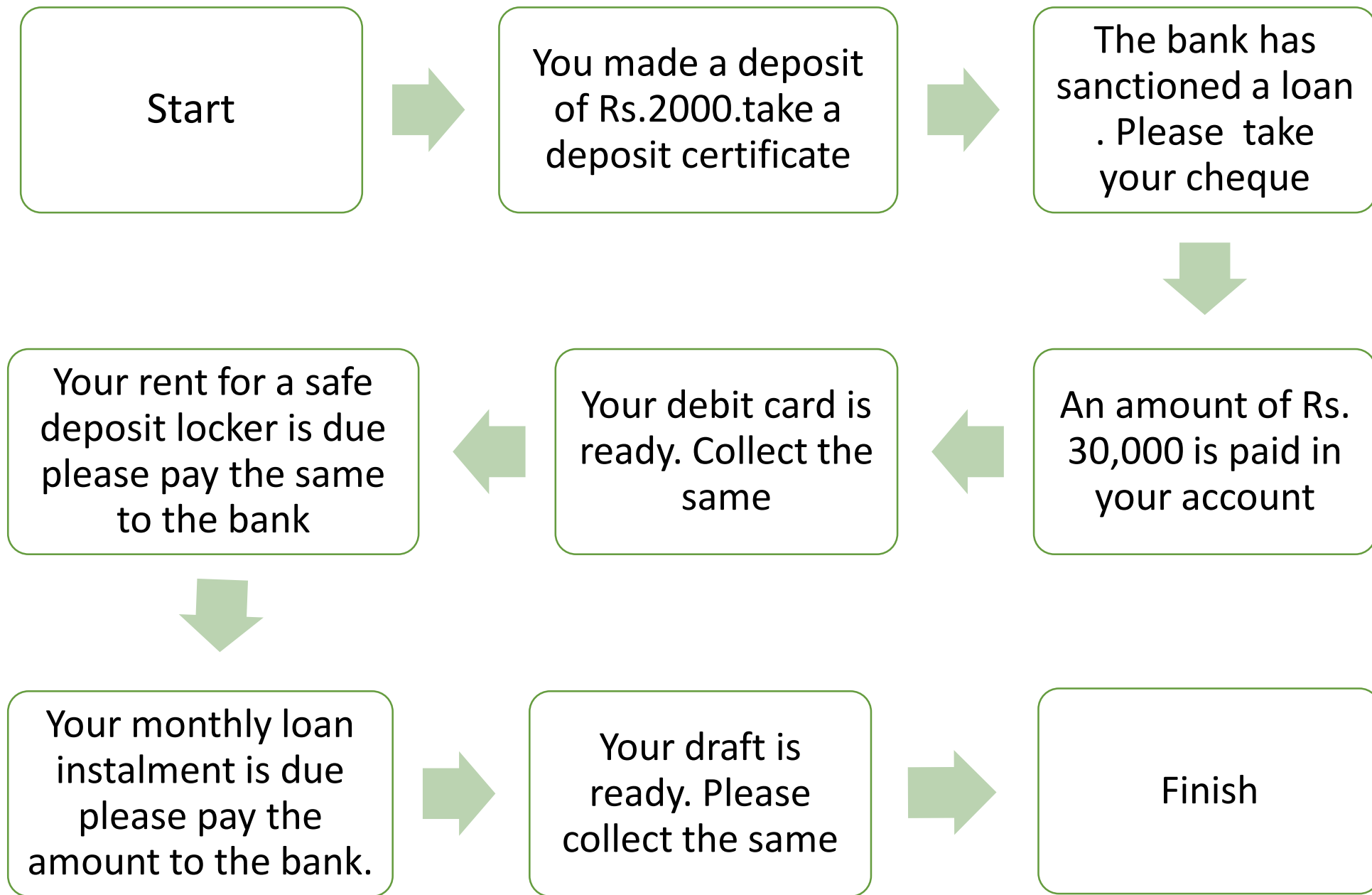
Cheques

Import and export

National development

Standard of living

SILCINS



Types of banks

- ☐ There are many types of banks operating in our country.
- ☐ The various types of banks cater to the various needs of people.
- ☐ The banks are classified according to the different kinds of functions.
- ☐ We have the central bank that controls all the other banks. This is the Reserve bank of India.
- ☐ Then we have the commercial banks, co-operative banks , development banks and the specialised banks

Types of Banks

Central bank

Commercial banks

Development banks

Co-operative banks

Specialised banks

Public Sector banks
Private Sector banks
Foreign banks

IFCI
SFC

Primary Credit societies,
Central co-operative banks,
State co-operative banks

NABARD
SIDBI
EXIM

Central Bank



- ☐ The central bank in India is **The Reserve bank of India**
- ☐ This bank guides and controls the banking system of the whole country.
- ☐ It provides help and assistance to all the other banks.
- ☐ It takes care of the deposits of the banks.
- ☐ It deals only with the other banks and not with the general public.

Central Bank –contd.

- ☐ It advises the government on monetary and credit policies.
- ☐ It decides on the interest rates on loans and deposits.
- ☐ Foreign exchange rates are finalised by the central bank.
- ☐ It is the only bank that can issue currency.

Commercial Banks

- ❑ Commercial banks accept deposits from customers.
- ❑ They grant short term loans and advances to farmers and businessmen.
- ❑ They also grant long term loans.
- ❑ Some of the banks now also provide housing loans.
- ❑ Commercial Banks are of three types.

They are:

1. Public Sector Banks
2. Private Sector Banks
3. Foreign banks

Commercial Banks

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graph TD; A[Commercial Banks] --> B[Public sector banks]; A --> C[Private sector banks]; A --> D[Foreign banks]; B --> B1[State Bank of India]; B --> B2[Bank of Baroda]; B --> B3[Canara Bank]; B --> B4[Punjab National bank]; C --> C1[HDFC Bank]; C --> C2[ICICI Bank]; C --> C3[Lord Krishna Bank]; C --> C4[Kotak Mahindra bank]; D --> D1[American Express Bank]; D --> D2[Standard Chartered bank]; D --> D3[Citi Bank];
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Public sector banks

State Bank of India
Bank of Baroda
Canara Bank
Punjab National bank

Private sector banks

HDFC Bank
ICICI Bank
Lord Krishna Bank
Kotak Mahindra bank

Foreign banks

American Express Bank
Standard Chartered bank
Citi Bank

Public sector Banks

These are banks which belong to the government or Reserve bank of India.

They hold majority of the stake.

Examples of public sector banks are:

State Bank Of India

Punjab National Bank

Indian Bank

Canara Bank

Bank of Baroda

Private Sector Banks

- ❑ Majority of the share capital in a private bank are owned by individuals.
- ❑ These companies are registered as companies with limited liability.

Examples of private banks:

ICICI Bank

HDFC Bank

Development Credit Bank Ltd.

Lord Krishna Bank.

Foreign banks

- ☐ These banks are registered in a foreign country.
- ☐ They have their headquarters in a foreign country.
- ☐ They have branches in our country.

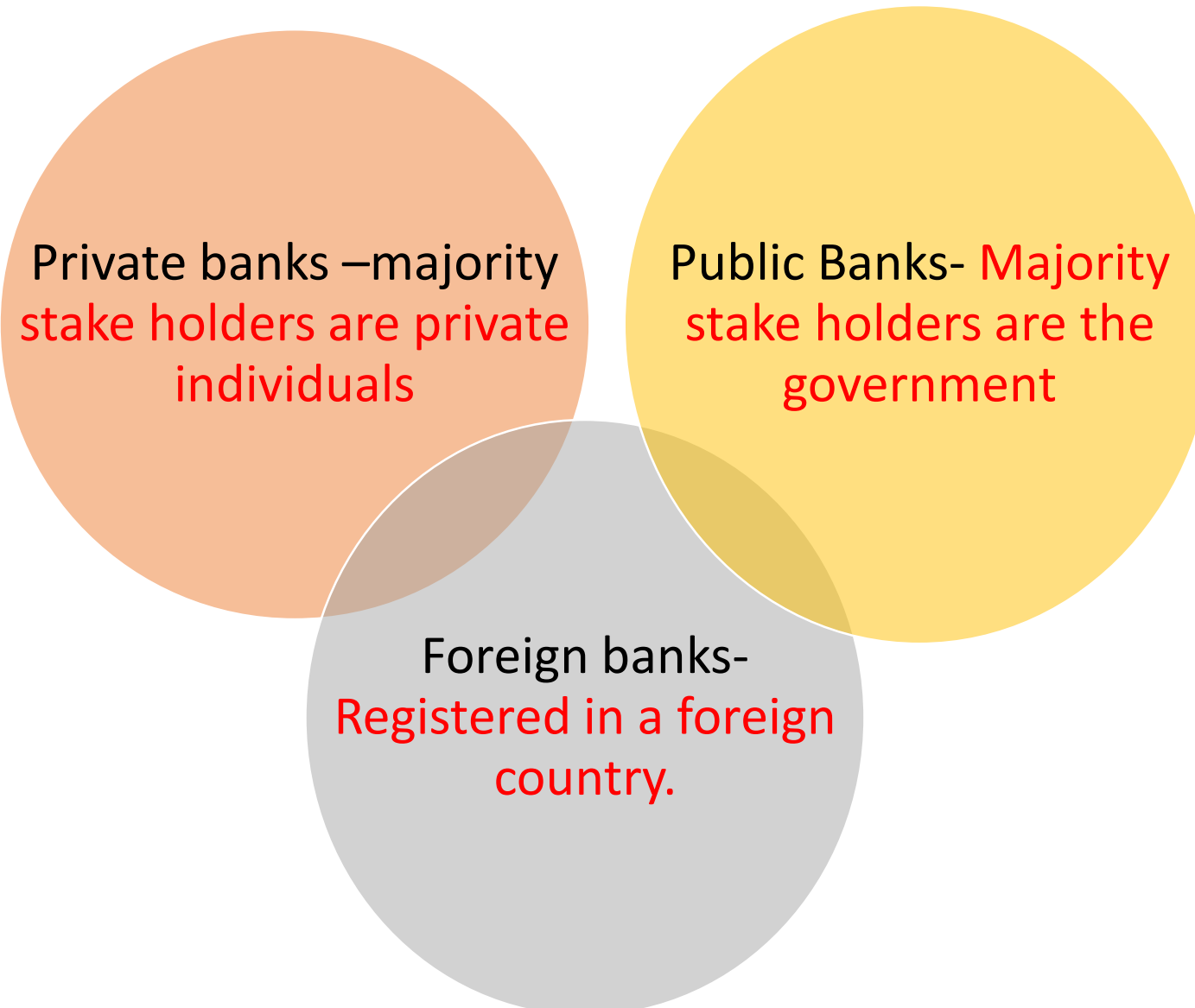
Examples:

Hong Kong and Shanghai Bank (HSBC)

Citi Bank

American Express Bank

Standard Chartered Bank.



Private banks –majority
stake holders are private
individuals

Public Banks- Majority
stake holders are the
government

Foreign banks-
Registered in a foreign
country.

Development Banks

- ❑ These banks provide loans for expansion of business.
- ❑ Business often requires some short term and long term capital for expansion.
- ❑ This can be for buying new machinery or using latest technology.
- ❑ They also subscribe to the shares and debentures issued by companies in certain circumstances.
- ❑ Industrial finance corporation of India and State Financial corporations are examples of Development Banks of India.

Co-operative Banks

- ☐ A co-operative Bank is a financial entity which belongs to its members.
- ☐ They are the owners and customers of the bank.
- ☐ They are usually formed by people living in the same community or share the same interest.
- ☐ These people form a co-operative society under the co-operative societies act.
- ☐ When these co-operative societies engage in banking business it is called a co-operative bank.
- ☐ They must follow the guideline of the Reserve Bank of India.

Co-operative Banks

Primary credit societies

Central Co-operative Banks

State co-operative Banks

Primary Credit societies

The operations are restricted to a small area.

The members live in the same village or town.

They are usually known to each other.

Central Co-operative banks

These banks operate at the district level .

The primary credit societies in the district are its members.

They provide loans to the member societies.

They serve as a link between the primary societies and state co-operative banks.

State Co-operative Banks

These are the highest level of banks in all the states of the country.

The state co-operative banks ,help in the mobilisation of funds.

They help to channelize funds among the various sectors.

The money reaches the individual borrowers from the state co-operative banks through the central co-operative banks and the primary credit societies.



Specialised banks

There are some banks which provide assistance for setting up business in specific areas of activity.

Since they are engaged in a specific area of activity they are called specialised banks.

Export Import Bank of India ([EXIM Bank](#))

Small Industries Development bank of India([SIDBI](#))

National Bank of Agricultural and Rural

Development([NABARD](#))



Export Import Bank of India

- ☐ EXIM bank provides assistance to set up a business for exporting products abroad or for importing products from foreign countries for sale in India.
- ☐ The EXIM bank provides loans to exporters and importers.
- ☐ It provides with information about the international market.
- ☐ It gives information about the opportunities for export and import.
- ☐ It gives information about the risks involved in import and export.

National Bank for Agricultural and Rural Development

NABARD is a central institution for financing agricultural and rural sectors.

It provides **financial assistance**, especially to Co-operative credit in the field of agriculture, small- scale industries, Cottage and village industries.

Handicrafts and allied economic activities in **rural** areas.

Small Industries Development Bank of India

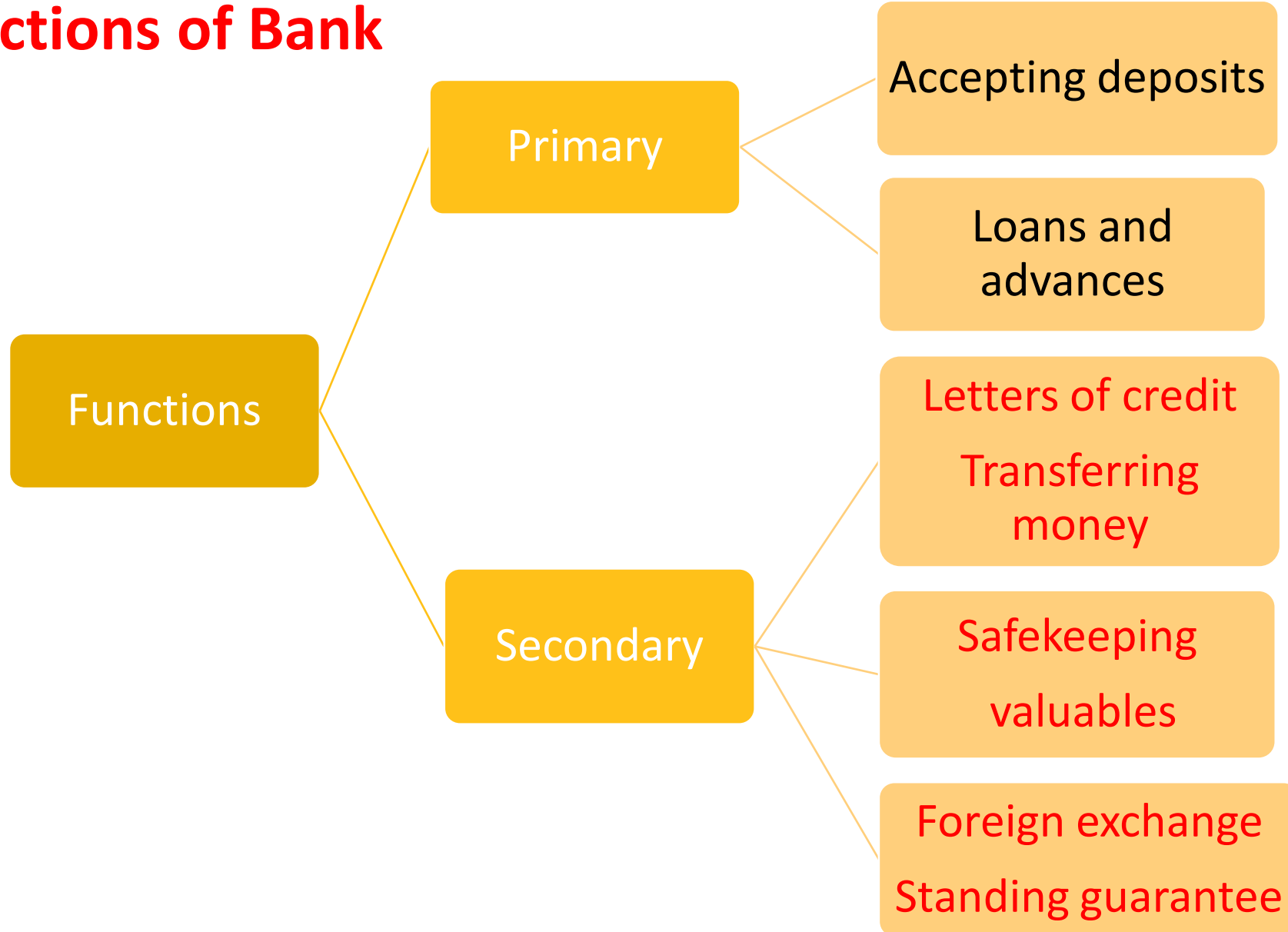
The aim and focus of SIDBI is to promote , finance and develop small-scale industries.

Provides loans for establishing small scale industries.

Provides loans to modernise small-scale industries.

Loans for use of new technology in small scale industries.

Functions of Bank



Primary functions are the main functions which are compulsorily performed by every bank.

- ☐ They are accepting deposits and granting loans and advances.

Accepting deposits

- ☐ Banks accept deposits from people who have excess money and wish to save the same.
- ☐ The depositors earn money through interest earned on the deposits.
- ☐ The rate of interest on the deposits are fairly standardised and depend upon the type of deposits.
- ☐ The funds are fairly safe when deposited in the bank.

- ☐ The second primary function done by the banks is to give loans and advances.
- ☐ A loan is granted for a specific period of time.
- ☐ The loans can be short term and long term.
- ☐ Loans are granted against security of assets.
- ☐ Interest rates on the money lent are fixed or variable.
- ☐ A loan is usually repaid in instalments.

- ❑ Advances are credit facilities provided by the bank to its customers.
- ❑ They are granted for shorter period of time, whereas loans are given for longer periods of time.
- ❑ The purpose of giving the advances is to meet the day to day needs of the business.
- ❑ The banks charge interest only on the amount withdrawn and not the entire amount sanctioned.
- ❑ The types of advances are cash credit, overdraft and discounting bills of exchange.

Cash credit

- ☐ This is an arrangement by which the bank allows the borrower to draw up to a specified amount.
- ☐ The amount is credited to the account of the customer.
- ☐ The amount depends on the conditions agreed with the customers.
- ☐ The customer can withdraw as and when he requires.
- ☐ Interest is charged to the withdrawn amount.

Overdraft

- ☐ Overdraft is also a credit facility granted by the bank .
- ☐ A customer who has a current account with the bank can withdraw money more than his balance.
- ☐ It is short term and temporary.
- ☐ This facility might be given against the security of assets.

Discounting bills of exchange.

- ☐ Banks provide short term finance by discounting bills.
- ☐ They make payment for bills before the due date after deducting a certain rate of interest.
- ☐ The client gets funds without waiting for the date of maturity .
- ☐ If the agreement is dishonoured by the bank recovers the amount from the customer.

Secondary functions

These are the other functions performed by the bank other than accepting deposits and paying loans.

These are follows

1. Issuing letters of credit.
2. Undertaking safe custody of valuables and important documents.
3. Foreign exchange facilities.
4. Transferring money from account to another, one branch to another.
5. Standing guarantee on behalf of its customers.

Central Bank

- ☐ The Reserve Bank of India was established 1 April 1935.
- ☐ The central office is located in Mumbai.
- ☐ The central office is where the governor sits and policies are formulated.
- ☐ The Reserve Bank is owned by the Government of India.
- ☐ Its main function is to control and direct the affairs of the banks in India.
- ☐ It takes care of the territorial and economic interests of local co-operative and indigenous banks.
- ☐ In short it is the banker's bank

Types of Accounts

Savings Bank account

- Suitable for individuals who would like to save some money

Current Deposit account

- Suitable for businesses and institution because it allows overdraft facility

Fixed Deposit account

- Saving for long period of time

Savings Bank Account

Save money for future use

Minimum initial deposit

Money can be deposited and withdrawn any time

Minimum number of withdrawals

Interest is given for the balance amount

A minimum balance has to be maintained

Current Deposit account

Businesses and companies

Any number of withdrawals

Can withdraw more than the balance in the account

Bank does not pay interest on the balance available

Comparing Savings bank Account with Current deposit account.

Savings Bank Account	Current deposit account
Save money for future use	Money for current use
Individuals who would like to save	Businesses and organisations who need money
Limited number of withdrawals	Unlimited withdrawals
Minimum balance needs to be maintained	No need for a minimum balance
Overdraft facility not available	Overdraft facility available

Fixed Deposits

- ❑ Savings bank accounts give a lower rate of interest. So money is deposited in a fixed deposit account to earn a higher rate of interest.
- ❑ The deposit account allows the deposit to be made for a specified period.
- ❑ The period to be deposited may vary from 15-days to three years.
- ❑ You can withdraw before the term period but the interest rates might be reduced.
- ❑ At the end of the time period the deposit may be withdrawn or a renewed for a further period.
- ❑ Banks also grant loans with fixed deposits as security.

Fixed deposits

Fixed deposits are savings for longer periods

Higher rate of interest on the deposits

Specific periods (15 days-3 years)

Recurring Deposit Account

This account is suitable for people who would like to deposit a specific amount of money every month/fixed period.

The person has to agree to deposit a fixed amount of money say every month.

The total deposit and the interest is payable at the time of maturity.

The depositor can close the account before maturity and the sum total along with the interest will be paid.

The rate of interest is higher than the savings bank account and less than the fixed deposits.

Recurring Deposit Account

Specific amount of money
every month

Specific period

Interest rates higher than
savings bank accounts

How to open a Savings Bank Account

1. Filling up the form

The application form has to be filled by giving the necessary information:

- a. Name of the person(applicant)
- b. His/her occupation
- c. Residential/home address
- d. Specimen signature of the applicant
- e. Name address , account number and signature of the person introducing the applicant.
- f. Undertaking that you will abide by the rules and regulations of the bank.
- g. The signature /thumb impression of the applicant
- h. Two pass port size photographs need to be attached.

Proper Introduction

- ☐ This is done by a person who usually holds in the same bank.
- ☐ It is to ascertain that the person who is opening the account is familiar to the account holder and can be recommended as the customer of the bank.
- ☐ Sometimes attested copies a person's drivers licence can be used.
- ☐ This is done to prevent the possibility of opening the account by an undesirable person.

Specimen signature

The specimen signature has to be done at the blank space provided on the application form for that purpose.

Specimen signatures have to be also put in the card in which the photograph of the applicant is affixed, along with her name and account number.

Deposition of money

Once all these procedures are done and the bank officer is satisfied, the minimum deposit has to be deposited in the bank using a pay in slip.

An account number will be assigned . A pass book will also be given.

Future transactions will be recorded in the pass book.

If there is a need for cheque book, they will be issued on request

Depositing money in a savings bank account

- ☐ If you are paying cash, the pay in slip has to be filled up giving the date of deposit, your name or account holder's name if you deposit money in somebody's account, account number, and the amount deposited in figures and words.
- ☐ Besides you have to enter on the slip the currency denomination that you are depositing and the number of notes in each denomination.
- ☐ You deposit the cash in the counter for cash receipts.
- ☐ The cashier will stamp and hand out the counterfoil to you as proof of the deposit.
- ☐ The entries of the same will be made in your pass book

Depositing money using cheques

- ☐ To deposit the cheque you fill in the details of the cheque, the cheque number and the bank from which it has been drawn from, and the cheque amount in words and figures.
- ☐ You also give your account details. Your name and the account number.
- ☐ After signing the pay in slip, you pin the cheque to the pay in slip and you can hand it over at the receipts counter or put it in the drop box.
- ☐ Before dropping it in the drop box, the depositor can stamp the seal on the counterfoil tear it and drop the cheque in the drop box with the pay in slip.

Image of a pay in slip

State Bank of India
Pay in slip

Branch Name:
Account No:
Date: 10/10/2010

Sl. No.	Particulars	Amount
1	By Cash	1000
2	By Cheque	500
3	By Transfer	200
4	By Other	100
5	Total	1800

Pay out

Branch Name:
Account No:
Date: 10/10/2010

Sl. No.	Particulars	Amount
1	To Cash	1000
2	To Cheque	500
3	To Transfer	200
4	To Other	100
5	Total	1800

Signature of Branch Manager:
Signature of Customer:

Withdrawal of money from banks



Withdrawal forms

Cheques

ATM card

Withdrawal of money using Withdrawal forms.

- ☐ Every bank has printed withdrawal forms, which can be used by account holders to withdraw cash from deposit accounts.
- ☐ The form has to be filled in, mentioning the date of withdrawal, account no., amount to be withdrawn-in figures and words. And the signature of the account holder.
- ☐ You have to produce it along with your pass book at the counter at which your account is handled.
- ☐ The officer passes after checking the amount against the available balance in your account.
- ☐ He also checks if the signature in the form and the specimen signature matches the one in the form.
- ☐ The amount is entered in the passbook and a token is presented.
- ☐ Presenting the same at the cash counter, the customer receives the payment.

As an account holder you can withdraw cash from your savings bank account by making use of a **cheque** also.

Withdrawal by cheque follows the similar procedure of withdrawing by cash.

The amount is written in the cheque to be paid to self and signed below.

The amount is noted in the passbook and cash is dispensed at the cash counter.

भारतीय स्टेट बैंक
State Bank Of India

(93847)-MAHAVIR NAGAR (BHO PAL)
E-3/113 ANERA COLONY BHO PAL
BHO PAL, BHO PAL, MADHYA PRADESH 462016
Tel : 755 2422492 Fax : IFS Code : SBIN063867 SWIFT :

वैधता 3 महीने के लिए है / VALID FOR 3 MONTHS ONLY
D D M M Y Y Y Y

PAY
रुपये RUPEES

को या उनके आदेश पर OR ORDER

अब करें ₹

वैधता ₹ 10 LACS AT NON-HOME BRANCH

SB ACCOUNT
PREFIX :
1515600027

MULTI-CITY CHEQUE Payable at Par at All Branches of SBI

Mr. SIDDHANT JAIN

॥ 0 2 1 9 8 1 ॥ ६ 2 0 0 2 0 1 5 ॥ 0 1 6 9 5 8 ॥ 3 ॥

Withdrawal using Automated Teller Machine

- ☐ Banks issue ATM card to its depositors for easy withdrawal of money from their accounts.
- ☐ This card is used for withdrawal of money from saving and current deposit account through ATM machines.
- ☐ The card is a magnetic card, which can be operated by using a particular secret number.
- ☐ It is the most convenient system of withdrawal of money.

E- banking

- ❑ E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels.
- ❑ The recent developments of electronic banking provides facilities to customers to access accounts, transact business, or obtain information on financial products and services through the internet.
- ❖ Automated Teller Machine
- ❖ Debit card
- ❖ Credit card
- ❖ Net banking and
- ❖ Phone banking

Automated Teller Machines

- ❑ ATM machines are installed by banks at convenient locations. This enables customers to perform basic banking activities like checking one's balance, withdrawing money and depositing money at these machines.
- ❑ By using these machines customers can perform transactions at any time.
- ❑ Banks issue ATM card to its depositors for easy withdrawal of money from their accounts.
- ❑ This card is used for withdrawal of money from saving and current deposit account through ATM machines.
- ❑ The card is a magnetic card, which can be operated by using a particular secret number called the personal identification number (PIN number)
- ❑ It is the most convenient system of withdrawal of money.

Debit card

- ❑ Banks are providing debit cards to customers having an account.
- ❑ This allows customers to access their funds immediately.
- ❑ The customers can use this card for purchasing goods and services at different places.
- ❑ The amount paid through debit card is automatically debited to the customer's account.

Credit card

- ☐ Credit card can be used to make payments for purchase, so that the individual does not have to carry cash.
- ☐ A card is issued by a financial company giving the holder an option to borrow funds, usually at the point of sale.
- ☐ Banks allow certain credit period to the credit card holder to make payment of the credit amount.
- ☐ The borrowing limits are pre-set according to the individual's credit rating.
- ☐ Credit cards charge interest and are primarily used for short term financing.

Net Banking

- ❑ The internet provides a secure medium for making banking transactions over it. This is known as Net banking.
- ❑ This allows individuals to perform banking activities at home, via internet.
- ❑ Online banking through traditional banks enable customers to perform all routine transactions, such as account transfers, balance enquiries, bill payments and stop payment requests and loan applications.
- ❑ The customer can access his account any time. He can also make payment of bills.
- ❑ With the extensive use of computer and internet , banks have now started transactions over internet.

Phone Banking

- A system in which customers can access their accounts and a variety of banking services 24 hours a day by telephone.
- A customer can get information about his account, make banking transactions fixed deposits, money transfers, demand draft, collection of payments etc. by using telephone.
- Now phone banking is possible through smart phones.
- A customer also receives and can send messages (SMS) from and to the bank .

List of Volunteers

Embrace-NIOS lesson adaptation project

(A community initiative of Harchan Foundation Trust)

Mentors (Volunteers) : Banu Arjun, Hema Bhatia, Indumathi , Kalpana Sankar, Priya Balasubramanian, Renu Goyal, Sowmya Srikumar, Viraja.

Special educator/Parent Volunteers:

Beverly Sujit ,Chantelle Saldana, Gayathri,Haritha Meda,Jaishree Muralidharan, Madhushree Bhat, Meenakshi, Nisha Narayanan, Pavithra, S. Arjun , Savita Sharma Bhardwaj, Sathyabhama Naryanan, Selvarani, Shakkeela Narikkoottungal, Shweta Taneja, Sucharitha Karthik, Suja Varghese, Sunitha R , Rohitesh Sharma , Tinu Anna Sam.

"volunteers don't necessarily have the time, they just have the **HEART**."

~ elizabeth andrew

Thank You
Volunteers.

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