

Ancillary Services of a Commercial Bank

Main objective of emergence of banks was to keep the people's money safe and provide loan to the people with requirement. People used to deposit their hard-earned money in banks and banks used to lend this money who are worthy to get loans (Repayment capacity). Now a days along with basic banking functions like deposit and lending facilities banks are rendering various other types of financial services to its customers. These expansion in products and services are due to various factor such as high competition among public, private and foreign banks, advancement of technology, openness to national economies for business transitions and many more. As time value of money is commonly known concept among public now a days and they know the future opportunities for their money. They don't just rely only on saving accounts investment and investing in other investment schemes. Thus, for the existence banks can not depend on the money being deposited by the customers in the bank and had to venture in other financial services to earn profit. These banking services other than lending and deposit are known as ancillary services. Some ancillary services are as following:

- Bank draft
- Mail/ telex transfer
- Fund Transfer (NEFT/RTGS)
- Travelers cheque
- Custodial Services
- Pension
- Merchant banking
- Retail banking
- Factoring
- Bank assurance/ Guaranty
- Mutual funds
- Sale and purchase of gold
- Insurance
- Foreign exchange / Forex services
- Notary services
- Bank cards
- Venture capitalist
- Internet banking
- Mobile banking

1. **Bank Drafts:** Negotiable investment Act, Section 85 (A) says that a bank draft is an order to pay money drawn by one office to the bank upon other offices of the same bank for a sum of money payable to order on demand. In other words, a bank draft is a payment on behalf of a payer that is guaranteed by the issuing bank. Bank draft provide assurance to the payee for the payment. A bank draft is kind of cheque where payment is guaranteed by issuer bank which is issues after confirming enough in the payers' account. It is more complex process in comparison to issue a bank cheque.

For B.Com –II Semester and B.Com (Hons.) IV semester

Prepared by: Prof. Bimal Jaiswal

Dept. of Applied Economics



CITIBANK PLC
PAYMENT AND INTERNATIONAL SERVICES
INTERNATIONAL REMITTANCE BANKING
25 CANARV SQUARE CANARY WHARF LONDON
E14 5LB UNITED KINGDOM.

TELEGRAPHIC WIRE TRANSFER SLIP.

Citi Bank Plc Wire Transfer Information.

CART: *****Approved Information*****

ENTRY: Approved Receiving Bank Information : KREPLACH BROTHERS MERCHANT BANK INT. PLC
TOSSEY TOMES, 666 SOYTON STREET LONDON EC4P 5U2.

(Entry 1) Data: 27-02-2012 TIME: 10:00AM GMT
AAAA:DATAAAAA (-:ENTRY:~)*** 27-02-2012

Initiating bank: CITIBANK PLC
LONDON/UNITEDKINGDOM.

Information on Receipt (particulars if any)
--DATA: Currency Section: ** : 000United States Dollars000
Amount issued: US\$ 10,300,000.00
Cost of Transfer (COT): US\$975 (to be paid before validity day)

TELEGRAPHIC TRANSFER SUCCESSFUL

(COT) NOT YET PAID

ADVICE DATE (-:ENTRY:~)*** 27-02-2012 10:00AM GMT
(*002**) Data validity date follows: 29-02-2012 2:30PM GMT

**** TRANSFER ** OUT GOING MESSAGE ** REFERENCE ** NO ***** CTOX006RVB3008BOE **** CODED ****

Data: Approval Banking Details Confirmed.

RECEIVING BANK: KREPLACH BROTHERS MERCHANT BANK INT. PLC
ADDRESS: TOSSEY TOMES, 666 SOYTON STREET LONDON EC4P 5U2
ACCOUNT NO: 46179001
ROUTING / IBAN NO: NIL
SWIFT / SORT CODE: KREPL3
AMOUNT: US\$ 10,300,000.00
BENEFICIARY: CHARLES FORTESCUE FARNES-BARNES

Date Issued: for: (-:ENTRY:~)*** 27-02-2012 = Approved validity (ENTRY) : for: (three banking days) 29-02-2012

CITIBANK PLC. LONDON UK
REMITTANCE DIVISION
DATE: 29/ 02/ 2012

Approved Entry Confirmed okay!!
computerized Data Entry as provided by the
Beneficiary to us.
Please always confirm!<->***

3. Fund Transfer (NEFT/RTGS):

RTGS: The acronym 'RTGS' is known as Real Time Gross Settlement. According to RBI, RTGS is a system where there is continuous and real-time settlement of fund-transfers, individually on a transaction by transaction basis. It is an instant service as it does not take time to be transferred from one account to another. Currently the RTGS system is mainly meant for large value transactions. The minimum amount to be remitted through RTGS is ₹ 2,00,000/- while there is no upper or maximum ceiling.

With effect from July 01, 2019, the Reserve Bank has waived the processing charges levied by it for RTGS transactions. Banks may pass on the benefit to its customers.

With a view to rationalize the service charges levied by banks for offering funds transfer through RTGS system, a broad framework of charges has been mandated as under:

- Inward transactions – Free, no charge to be levied.
- Outward transactions – ₹ 2,00,000/- to 5,00,000/- : not exceeding ₹ 24.50/-;(exclusive of tax, if any)

For B.Com –II Semester and B.Com (Hons.) IV semester

Prepared by: Prof. Bimal Jaiswal

Dept. of Applied Economics

Above ₹ 5,00,000/- : not exceeding ₹ 49.50/- . (exclusive of tax, if any)

Banks may decide to charge a lower rate but cannot charge more than the rates prescribed by RBI.

NEFT: According to RBI National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. This scheme is very similar to the RTGS but there is no minimum limit under NEFT. However, maximum amount per transaction is limited to ₹ 50,000/- for cash-based remittances within India and for remittances to Nepal under the Indo-Nepal Remittance Facility Scheme. Unlike RTGS these transactions take time in fund transfer. Usually it takes 30 minutes in transaction.

Charges for the NEFT transactions are as following

The structure of charges that can be levied on the customer for NEFT is given below:

a) Inward transactions at destination bank branches (for credit to beneficiary accounts)

– Free, no charges to be levied on beneficiaries

b) Outward transactions at originating bank branches – charges applicable for the remitter

- For transactions up to ₹ 10,000: not exceeding ₹ 2.50 (+ Applicable GST)

- For transactions above ₹ 10,000 up to ₹ 1 lakh: not exceeding ₹ 5 (+ Applicable GST)

- For transactions above ₹ 1 lakh and up to ₹ 2 lakhs: not exceeding ₹ 15 (+ Applicable GST)

- For transactions above ₹ 2 lakhs: not exceeding ₹ 25 (+ Applicable GST)

4. **Travelers cheque:** Traveller's cheque is for a prepaid fixed amount and operates like cash, so a purchaser can use it to buy goods or services when traveling. A customer can also exchange a traveller's check for cash. These cheques are used by the traveller as they are safer and more convenient to travel with instead of currency notes. In case of losing the traveller, cheque banks may cancel the previous one and may issue the new one. Now a days these cheques are not common as we have other convenient methods like plastic money.

For B.Com –II Semester and B.Com (Hons.) IV semester

Prepared by: Prof. Bimal Jaiswal

Dept. of Applied Economics



5. **Custodial Services:** These services are commonly known as bank locker services. Customers can keep their valuables like jewels, documents, etc. in these lockers. These lockers can be availed based on availability in the bank and after paying some charges to the bank as a fee for the locker. In case of theft or loss, the bank only pays insured money to the customers instead of the real value of the articles placed in the locker.



6. **Pension services:** Pension is a social security scheme where a fixed sum amount is paid to the retired and superannuated employees. EPF (Employee's Provident Fund) office helps in distributing the pension and banks provide them banking and financial support. Different banks and their branches have responsibilities to distribute the pension for different organizations. Pensioners are supposed to open an account with the nearest bank branch and this account number is forwarded to the concerned pension department for direct credit to the pension amount of the pensioner.
7. **Merchant banking:** The corporate houses which generate capital by issuing financial securities such as shares, bonds, debentures, mutual funds etc. must face disputes and problems related to it. To overcome such problems, various financial and non-financial

For B.Com –II Semester and B.Com (Hons.) IV semester

Prepared by: Prof. Bimal Jaiswal

Dept. of Applied Economics

institutions are providing specialized services of merchant banking. Basically, it is consultancy services which provides advices to its clients for financial, marketing, managerial and legal matters related to financial and banking services.

8. **Retail banking:** Retail banking, also recognised as consumer banking or personal banking, is banking that offers financial services to the general public. Retail banking is a way for the daily customer to manage their money, have access to credit, and deposit their money in a secure manner. Services provided by retail banks include checking and savings accounts, mortgages, personal loans, credit cards, and certificates of deposit. Most of the customers of the banks visit to the local branch office where representatives and managers provide customer services and financial advices.
9. **Factoring:** This is a financial service where all the services are provided which starts from sale of goods and services and end with collection of receivables. A factor is known as intermediary agent who finances receivables. A factor is essentially a funding source that agrees to pay the company the value of an invoice less a discount for commission and fees.
10. **Bank assurance:** Bank assurance is also known as bank guaranty. It means the lending institution ensures that the liabilities of debtor will be met. Bank assures another party on the behalf of a party that it will not fail to mitigate the promises. If that party fails to keep its promises bank compensate another party and recover its losses later from the party which took bank guaranty from the bank.
11. **Mutual funds:** The basic purpose of mutual funds is to collect investment from large number of the investors and depositors, then invest the capital in diversified manner. These investment schemes reduce the risk of loss like equity investments. These services are very beneficial for the investors who have little or no knowledge of the investment and equity market.
12. **Sale and purchase of gold:** Commercial banks also deal in sale and purchase of gold. Now a days all the banks are providing gold bonds on regular basis. Apart from that bank also deals in purchasing and selling of gold coins and bars. Customer purchase and sell gold through banks to avoid any chances of fraud.
13. **Insurance:** Commercial banks provide wide variety of the insurances like life insurance, health insurance, vehicle insurance, insurance on loans etc. Banks are providing insurance with the help of joint ventures with insurance companies like PNB MetLife, SBI life etc.
14. **Foreign exchange / Forex services:** Commercial banks also deal with foreign currency. These banks provide wide range of forex services mainly conversion of currency. They also help the customers in selling and purchasing of foreign exchange.
15. **Notary services:** Banks in India work according to the guidelines of the RBI. These days Know your customer (KYC) is mandatory for all types of commercial bank operations. Apart from that banks also provide life certificate which can be used in other government schemes as well as id proof.

For B.Com –II Semester and B.Com (Hons.) IV semester

Prepared by: Prof. Bimal Jaiswal

Dept. of Applied Economics

16. **Bank cards:** Banks provide various types of cards to the customers like debit cards, credit cards, gift cards etc. With the help of these cards the card holder can transact without the help of hard cash currency. These cards are also known as plastic money.



17. **Venture capitalist:** Venture is a concept where a new high-risk project is dealt by an entrepreneur. Making the availability of fund for high risk project is known as venture capital. These ventures have high risk with high returns. After calculating the risk bank provide capital for such projects for higher returns.
18. **Internet Banking:** Such types of banking services provide the customer facility to complete all the banking transactions without even visiting to the bank physically. Sometimes bank charge nominal maintenance fee for availing the internet services to the customers.
19. **Mobile banking:** As name says such services can be enjoyed with the help of a smart phone and banking applications. Such services are similar like internet banking with some limitations. Usually such applications can be installed in the smart phone for free of cost.