



FAQs & Answers for Financial Literacy Centres

Compendium for Reference by FLC Counsellors

1

I am a dairy farmer with 4 cows. I have some surplus amount with me after meeting the monthly expenses. Can I open an account in a bank? Which papers/documents am I required to produce to the bank for opening of a savings account?



Yes, you can open a savings bank (SB) account with a bank and deposit your surplus in that account. For opening the account bank will ask for documents to verify your identity and address. Banks do this verification to protect the interest of the customers and members of public and to prevent fraud and possible misuse of the banking system.

Please visit the branch of the bank with proofs of identity and address along with 2 recent passport size photographs of yours.

2

What documents are acceptable to a bank as Proof of Identity?



The bank will accept any one of the following as your proof of identity

- (i) Passport
- (ii) PAN card
- (iii) Voter's Identity Card
- (iv) Driving License
- (v) Job Card issued by NREGA duly signed by an officer of the State Govt.
- (vi) Letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number
- (vii) Identity card (subject to the bank's satisfaction)
- (viii) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank

Ref: RBI Circular - RBI/2012-13/45 / DBOD. AML. BC. No. 11/14.01.001/2012-13 dated July 2, 2012

3

What are the documents acceptable to a bank as proof of residence?



As proof of the residence/address, you can produce any of the following documents:

- (i) Telephone bill
- (ii) Bank account statement
- (iii) Letter from any recognized public authority
- (iv) Electricity bill
- (v) Ration card
- (vi) Letter from employer (subject to satisfaction of the bank)

(or any one document which provides customer information to the satisfaction of the bank will suffice)

Ref: RBI Circular: RBI/2012-13/45 / DBOD. AML. BC. No. 11/14.01.001/2012-13 dated July 2, 2012

4

I am staying in a house taken by my grandfather on *pugari* (paying lump sum amount to use the premises). The electricity and water meter are in the name of the landlord. How can I provide address proof under KYC to open an SB account?

In such cases, you can provide other documents for address proof like –

- 1) Voter ID
- 2) Aadhaar card

If you do not have these documents, you can also obtain a certificate from the *Panchayat/* Municipal Member of your ward certifying the address, stating that you are staying in the house taken on *Pugari*.

5

It appears very difficult to open an account with a bank as various papers are to be produced to the bank. We are not that much educated. Often, I don't feel comfortable going to the bank. That is why

I agree that account opening involves a procedure but it is not difficult. All the essential documents are easy to obtain. All the papers can be procured if you make a little effort and you can have a formal bank account.

Opening of a bank account is important for you. This will help you to keep safely whatever surplus money you have. Even the birds and squirrel save food for the rainy season, as you would know. Suppose you are not well and the doctor prescribed some costly medicine or you or your family member is admitted to a hospital. What will you do? You must save money for such



<p>I have not opened the account till now. Why should I open an account with a bank despite these difficulties?</p>	<p>occasions. Saving is essential for everybody. Nobody will lend you in your difficult times. When you have an account, you will develop a habit to deposit the money in the bank. Otherwise, you may spend whatever money you have on not-so-urgent needs.</p> <p>Needs can be divided into three categories: very essential need, required need, and not so required need. If you save, the money saved will be available when you have very essential needs. In that case you will be able to meet your requirements without the help of anybody. Is it not a great thing?</p> <p>That is why wise people say 10-7-3, which means if you have Rs. 10 spend Rs. 7 and save Rs. 3 for future requirements.</p> <p>I am sure you will open the account soon. Let me know if you need more information.</p>
<p>5A What if my account will have very small value transactions?</p>	<p><u>If you are going to have a Small Account* with very small value transaction, the opening of account is still more easy.</u></p> <p>You will be able to open the bank account even if you have</p> <ul style="list-style-type: none"> - Job card issued by NREGA duly signed by an officer of the State Government - Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number. <p>You will have to however provide proof of correct address.</p> <p>“Designated Officer” authorized by the Bank, either by name or by designation, for the purpose of opening small accounts” will allow opening of your account with the aforesaid document.</p> <p>FURTHER: Even if you do not have abovementioned documents, you can open such an account on production of a self-attested photograph and affixation of signature or thumb print, as the case may be, on the form for opening the account.</p>

	<p>Provided that –</p> <ul style="list-style-type: none"> a) while opening the small account you must affix your signature or thumb print, as the case may be, in the presence of the designated officer b) the branch of the bank should be operating on Core Banking Solution linked or c) the branch is so authorized by the bank to open ‘Small Account’ (should be where it is possible to manually monitor and ensure that foreign remittances are not credited to a small account and that the stipulated limits on monthly and annual aggregate of transactions and balance in such accounts are not breached, before a transaction is allowed to take place); d) the small account shall remain operational initially for a period of twelve months, and thereafter for a further period of twelve months if you provide evidence to the bank of having applied for any of the officially valid documents within twelve months of the opening of the said account <p><u>*An Account is classified as Small Account if:</u></p> <ul style="list-style-type: none"> (i) the aggregate of all credits in a financial year does not exceed rupees one lakh; (ii) the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and (iii) the balance at any point of time does not exceed rupees fifty thousand. <p><u>Ref: RBI Circular No. RBI/2012-13/45 / DBOD. AML. BC. No. 11/14.01.001/2012-13 dated July 2, 2012</u></p>
<p>6 Will I get any interest for my savings if I open a SB account and save in it?</p>	<p>Yes, you will get interest for the amount deposited in your SB account. The rate of interest on SB accounts is decided by the individual banks. Most of the banks give interest @4% on the balance in the account. Some banks offers interest up to 7% in savings bank account but there is a minimum balance requirement.</p>

<p>7 Are there other forms of deposit accounts?</p>	<p>Depending up on your savings and business or other needs you can have different types of account with a bank.</p> <p>In savings bank account you have the facility of issuing cheques to pay for the purchases or other payments. Issuing a cheque helps you to avoid carrying the cash where ever you go. Savings account is not used for business purposes. The payments that you have to receive, for example when you sell your agricultural produce or milk, can be received in the form of cheque or direct payment into your account. This is safer and quicker. The cheque has to be deposited in the account. Banks will collect the money from the issuer of the cheque (say the person who purchased your agricultural produce) and put it in your account. Nowadays bank gives you an ATM card. You can use the ATM card and withdraw money from the ATM any time. As said earlier, banks pay interest on the balance in the account. The number of transactions in the Savings account (also called SB account) is to be limited.</p> <p>Business people have to receive and make payments frequently and therefore need an account where there is no limit on number of transactions. Such account is known as current account. Banks allow any number of transactions in a current account but do not pay interest on the current account balances. Business person can also open a savings account for personal use.</p> <p>Banks also offer Fixed Deposit and recurring deposit accounts. These are purely for investment purpose. The interest rates are higher than savings bank deposit.</p>
<p>8 My friend says that banks offer higher interest in the fixed deposit scheme. Will you please explain such deposit?</p>	<p>Banks offer a variety of fixed deposits. Generally these deposits offer a higher rate than the savings bank account. Whatever money that is not needed for immediate use, can be put in the fixed deposit. These are also known as term deposits as the deposits are made for a fixed term, between 7 days to 10 years. Interest rates differ from bank to bank. Fixed/Term deposits can also be closed earlier than the agreed period and as such, are liquid.</p> <p>In the case of fixed deposit there will be no separate</p>

	<p>KYC in case you have savings bank account in the same bank. However if you do not have any other account, KYC and all accounting formalities have to be completed.</p> <p>You will get interest on interest of your deposit at the rate of interest declared by the bank for the period for which you are keeping the deposit. Suppose you deposit Rs.2000/- in the bank for one year. The bank will pay the rate of interest applicable to one year deposit. Normally the bank will pay the interest quarterly and will credit your savings account with the interest amount. You can take the interest on maturity also in which case, the bank will also pay interest on quarterly due interest. Bank will ask you for the type of deposit when you open the account. Generally the bank offers the following type of fixed deposits</p> <ol style="list-style-type: none"> 1. <u>Normal FD:</u> Here the bank will pay interest quarterly and at the end of the period, will pay back the money deposited. Remember. banks often have a rule that the deposit will be re-invested automatically for the similar period if you do not ask for repayment on due date. Therefore you must keep a diary note for maturity date. 2. <u>Reinvestment Scheme:</u> In this deposit you agree with the bank that interest will not be withdrawn but is to be added to the deposit. In these cases, the bank will add the quarterly interest in the principal amount and pay interest on the same in the next quarter. Thus the bank will pay you quarterly compounded interest on maturity. On maturity, the interest will be paid along with the principal. 3. <u>Monthly Interest Payment Scheme:</u> This is useful plan to meet your monthly expenses. For example, you can invest sale proceeds of the farm produce in this plan. You will get interest on this amount every month which you can use to meet your monthly expenses. The monthly interest, however, is a little less rate than what you get quarterly. This is because interest rates are on quarterly payment basis. This fixed deposit can also be closed before maturity and as such you can get your money back before due date to meet un-expected expenses.
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	<p>Banks also give loan against deposits and therefore if you are in temporary need of funds, you should take the loan rather than closing the deposit.</p> <p>If you opt for quarterly or monthly interest payment, you have to open a savings bank account with your bank. The bank will credit the quarterly/monthly interest in your SB account. And once the interest is credited in to your SB account, it will earn interest in the savings bank account, say @4%. And this amount you can withdraw whenever you need it.</p> <p>Banks pay quarterly compounded interest. In case of FDs of longer duration, the rate is higher as the money remains with the bank for a longer time.</p> <p>Suppose you deposit Rs. 10000/- for a period of two years and you do not want to draw the interest before maturity. The interest will be reinvested after every quarter. Let us see what happens if the bank pays 9% interest. First quarter you will get Rs.225/- as interest and the bank will add this interest amount to the deposit to calculate interest for the next quarter. Now your deposit is 10225/- on which you will get 9% interest i.e. Rs.230/- for that quarter. This way after 2 years you will get Rs.1948/- as interest which is higher than the amount of Rs.1800/- for 2 years at simple rate of 9%. Here, it may be seen that your deposit amount is increasing with the addition of higher amount of interest every quarter. For deposits of longer period, the interest amount becomes much higher due to adding to interest in to capital every quarter.</p> <p>All banks are providing this facility to the customers.</p>
<p>9 Up to what period a bank will accept deposit?</p>	<p>Banks will accept deposit for a maximum period of 10 years. In case you want to keep the deposits beyond the period of 10 years, you may reinvest the deposit after the period of 10 years at the rate of interest then prevailing.</p>
<p>10 I am 66 years old. Somebody told me that I will get half percent more interest for my fixed deposit. Is it correct? If so</p>	<p>Yes, most of the banks are giving quarter or half a per cent higher interest to senior citizen. A person who has completed 60 years is treated as a senior citizen.</p> <p>As you are 66 years age, you will be entitled to get the benefit of more interest on your term deposits. This is just to help the aged people who depend on interest for their livelihood.</p>

<p>what are the documents that I have produce?</p>	<p>You have to produce your Birth Certificate or some other document of proof of age at the time of investing in the fixed deposit, to get higher interest rate applicable to senior citizens.</p>
<p>11 Can I write a cheque leaf with a pencil?</p>  <p>PENCIL....NO!</p>	<p>No. cheque is an important document involved money transaction. A cheque written in pencil the amount can be easily erased and altered. Hence bank will not honor any cheque written in pencil. It is to be written in pen. This is to protect your interest too.</p>  <p>PEN..... YES</p>
<p>12 Is there any ceiling in the number persons to open joint account in a bank?</p>	<p>No. There is no ceiling in the number of account holders in a joint account. However, banks generally examine every request for opening joint accounts carefully. Banks generally allow joint accounts with maximum 4 – 5 persons. Normally banks have the following options for operating the account.</p> <ol style="list-style-type: none"> 1. “Either or Survivor”- Where there are two account holders. Any one of them can operate the account. 2. “Former or Survivor”- Where there are two account holders. First holder operates the account and the second account holder is allowed to operate on the demise of the first account holder 3. “All jointly”. More than one account holder. All have to sign the cheques and other instructions. 4. “Any one of us”, More than two account holders. Any one of them is authorized to operate the account. <p>A large number of persons opening a joint account will cause operational inconvenience so far as accepting the operational instructions and therefore banks do not normally accept beyond 4 persons in a account. As such as If there are more persons it would be appropriate to form an ‘Association of Persons’. In these cases, all account holders authorize 1 or 2 persons to operate the account.</p>

<p>13 While I was staying with my son in Delhi I had opened an account with a bank. Now I have returned to my native place. Near to my village there is a branch of that bank. Can I get the account transferred to this branch from the Delhi branch?</p>	<p>Yes. You can transfer the account to the branch near to your village. You have to give a written request to your branch along with the pass book and proof of your new address.</p>
<p>14 What is dormant account. I am asking this question because one of my friends says that the account would have become dormant and cannot be in force?</p>	<p>If no customer transactions have taken place the SB account for over a period of 1 year, the account is will be automatically treated as a dormant account. Some banks classify account as dormant when there is no transaction for a period of 2 years. However, there is no problem for the customer as the account will be reactivated once the operations start. The customer has to properly identify him/herself to the bank. Banks do this to ensure that there no misappropriation of funds in inoperative accounts. You should therefore not keep the account not active for a long period. -</p>
<p>15 How interest in savings bank account is calculated?</p>	<p>Interest on SB account is calculated on daily outstanding balances. The interest earned on your savings bank account shall be credited in to your account on quarterly or Half yearly. The periodicity varies from bank to bank.</p>
<p>16 My friend is having a stationery shop and he says that he is having a current account with the bank and no interest will be given for the balance in such account. Is it true that no interest will be paid for the balance in the current account?</p>	<p>Yes, banks are not paying interest for the balance in the current account. Such accounts are opened for business purposes and the amount can be withdrawn at anytime.</p>

<p>17 One of my neighbours is working as a helper in a textile shop in the next town. He is getting a monthly salary of Rs.2500/- pm. After meeting his expense he saves Rs.500/- a month which he keeps with the shop owner (his employer) and takes it back whenever needed for occasions like Deepawali. His employer has been always prompt in paying such savings back. Because bank is not open for a full day he says it is better to keep that amount with his employer. Is that view correct? What are the advantages of savings with a bank?</p>	<p>It is definitely better if your neighbor keeps the amount of Rs.500/- that he saves every month with a Bank. There are many advantages of saving the money with a Bank.</p> <p>Firstly, the money kept with a bank is safe and it earns interest also. The money kept with the shop keeper does not earn any interest.</p> <p>Secondly, there is an element of risk also attached to keeping the money with his employer. The deposit with a bank is insured up to an amount of Rs.1,00,000/-. The money kept with a bank is readily available to depositor as and when he needs it whereas it may not be so if the money is kept with the shop keeper. Sometimes the shop keeper may not be in a position to give the money to your neighbour when he needs it, in spite of his best intentions. His business cash flows may become adverse.</p> <p>Thirdly, money deposited in a bank can be withdrawn at any time. When you open an account bank will give you an ATM card which will enable you to withdraw any time. ATM machines give cash 24 hours.</p> <p>Fourth and most important point is that by regularly depositing the money with the bank, your neighbor will be developing a good account of himself as a depositor which may prove to be helpful to him in case he needs any financial assistance from the bank for any purpose.</p>
<p>18 I am illiterate. Can I get cheque book in my SB account?</p>	<p>No. Illiterate persons are not given cheque book in the SB account as they cannot read, write or sign. It is therefore not possible for them to use the cheque. This is to protect their interest that the banks do not issue cheque book to them.</p> 

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Then how
can I withdraw money
from my SB account?



You need not worry about being unable to withdraw the money at all. Since you cannot sign, you would be required to personally visit the Bank and withdraw money from the account along with the pass book. Bank employee will take your thumb impression on the filled-in withdrawal slip, explain to you the amount filled-in the slip and certify. Thereafter, the payment will be made to you.

Now-a-days banks are issuing biometric ATM/ Debit card cards and with this card you can withdraw money from an ATM after affixing your thumb impression which is automatically matched with the thumb impression given by you at the time of opening of the account

20

I desire to
save a fixed amount
every month. Is there
any suitable saving
scheme for it?



Yes. There is a deposit scheme called 'Recurring Deposit Scheme'. (some banks call it as cumulative deposit account) If you open such an account, you are required to deposit a fixed amount (Say Rs 500 every month) every month for a specified period (say, 12/24/36 months) You can have a recurring deposit up to 120 months.

The interest rate payable on recurring deposits is pre-fixed and the total amount deposited, along with the interest, is repaid on the maturity date.

Some banks do not insist on a standard amount every month but are willing to accept variable sums (say Rs 100 to Rs 500 a month) to be deposited in recurring deposits.

21

I am
interested to open a
Recurring Deposit
account with monthly
deposit of Rs.1000/-
for a period of 10
years. Suppose I
need some amount
during this period, will
I get loan on the
security of this
deposit? I heard that
such a facility is there
in the case of FDs. Is
that true of RD also?

Yes. Like in the case of fixed deposits, you can get a loan against the Recurring Deposit also. This way, you are not required to close the account before maturity which could have, otherwise, caused loss of some interest for the period for which the amount remained with the bank.

22

My daughter Lakshmi is now 12 years old. Please help me to plan savings for her education and marriage.



The recurring deposit scheme just now that we talked about is suitable for you. You can open two recurring deposit accounts. One account for a period of 6 years and the other for 10 years.

The first one will be maturing when Lakshmi is ready to join a professional or degree course.

The other one will be maturing when you are starting to search for a son-in-law!

Banks allow a deposit for a maximum period of 10 years only. If you plan to marry her later-on, you can invest the Recurring Deposit proceeds into fixed deposit after

10 years.



23

My 12 years old daughter is fond of savings. Can she open an account with a bank?

This is a good sign in your daughter. One should have a savings habit in early life.

Your daughter can open a SB account with the bank. She can deposit her money in the account. Generally, a minor not less than ten years old, who can adhere to uniform signature is allowed to open account in his/her name and operate the same.

You can otherwise open her Savings Bank Account in her name but yourself operate the account on her behalf till she attains the age of 18.

Teach them the savings habits even in childhood! Good habits continue forever!!



24

I heard that there is nomination facility for the bank deposits. Why should there be nomination for deposit accounts?


If nomination is not made, in the event of the death of a depositor, the legal heirs may be required to follow various formalities and procedures to get the amount. Once nomination is made for the deposit account, in case of death of the depositor, the nominated person gets the balance amount lying in the account, hassle free simply by providing proof of identification.

In case the account holder is illiterate, his/her Thumb Impression(s) are to be attested by two witnesses.



<p>25 Whether nomination is compulsory?</p> 	<p>Nomination is not compulsory. However, the depositor is advised to nominate a person so that in the event of his death, the nominated person gets the amount lying in the account, without any hassles.</p> <p>Filing nomination is not a difficult task. The Nomination Form is provided by the bank at any time, at the time of opening of the account or even later.</p>
<p>26 I have made my nomination in the name of my father in my savings account with a bank. Now I want to change the nomination in my wife's name. Can I do it?</p> 	<p>Yes. In case you want to cancel the nomination or change the nominee at any point in the future, you can do so by simply submitting the application to the bank on the prescribed form.</p>

<p>27 When I nominate a person in my deposit account or change the name of the nominee in my deposit account, will I get an acknowledgement from the Bank for having registered the nomination?</p>	<p>Yes. In case of nomination or cancellation or change in nomination, you get an acknowledgement. The banks normally give acknowledgement in a tear-off sheet of the form being submitted. If not given, you should ask for the same.</p>
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28 Can anyone nominate a charitable Trust so that charitable institution can make use of money after death of an account holder?	Only an individual can be nominated for a bank deposit. A nominee shall not be a society, Trust, body corporate, partnership firm, karta of Hindu Undivided Family or a power of attorney holder.
29 Whether nomination facility is applicable in all deposit accounts?	Yes. Nomination facility is applicable for all types of deposit accounts - savings account, recurring deposit account, fixed deposit account and even a current account. Nomination is available for a locker facility also.
30 Locker facility? What is that? Is it a deposit scheme?	<p>Locker facility is not a deposit scheme. Suppose you have some valuable, say, gold ornaments. Perhaps you may like to keep it in a safer place than in your house. In banks there is strong room and locker facility and you can keep the ornaments in the bank's locker. The bank will rent out a locker if available, and you can use it for which you need to pay rent to the bank once in a year.</p> 
31 It is a good thing. Now only I know such facilities are available in a bank. What is the rent amount for a locker?	<p>Locker facility is not available in all bank branches. You have to enquire with the branch officials if locker is available in the bank and if there is any locker vacant.</p> <p>The locker rent varies depending on the size of the locker and the center. It will be in the range of Rs.800/- to 5000/- per annum</p>
32 Can a minor be a nominee?	<p>Yes, a minor can be a nominee. In such a case, the date of birth of the nominee has to be recorded in the nomination form.</p> <p><i>Your child can be nominee to your bank account</i></p>

33

My neighbour had a deposit with a bank for 3 years with interest rate @10%. But last week he had to withdraw the money as his father was hospitalized. The deposit was with the bank only for 8 months. The bank instead of giving 10%, gave only 7% saying some penalties will be charged? What are these rules?



"I lost my interest?"

The Bank has agreed to your neighbour's request for pre-mature payment of the deposit as your neighbour's father was hospitalized. In such cases, interest is paid for the period the deposit remained actually with the Bank (period between the date of deposit and the date of premature closure) at the rate of interest applicable for that period at the time of making the Fixed Deposit which would generally be 1% lower than the rate applicable to the period elapsed.

34

Aggrieved on this can my neighbour approach a Court?

No case in this case!!

No. Your neighbour cannot approach any Court in this case because the bank followed the rules applicable to the deposit made by your neighbor..

35

The bank branch is about 10 KMs away from my house. A new person came to my house yesterday saying that he is a Business Correspondent of that Bank? He produced one ID card also. Can I rely upon him for my banking transaction as he claimed?

Yes. Banks are permitted to engage certain individuals as Business Correspondents (BC) to function as intermediaries. The Business correspondent is authorized to open account, and also carry out some small value transaction. Also he will carry the POS device for transaction. The activities to be undertaken by the BCs would be within the normal course of the banking business.

You have to however verify the ID card and satisfy that he is BC.

Please insist on receipt for all cash that you handed over to him.



36 The BC has got a Hand Held Device. He says that I can open a Basic Savings Bank account (with the Bank) and all my personal details and my thumb impressions would get recorded in the machine. After some time, I will get my account details from the Bank and also a Biometric card and through the Biometric Card, I can carry out Bank transactions like depositing money and withdrawals. Is it correct?

Yes. The account is called a “Basic Saving Bank Deposit Account” and you can carry out your banking transactions through the use of the Biometric card and you will get transaction printouts confirming the transactions carried out by you.



“You can believe him”


37 He also says I will be given a debit card and with this card I can also buy from shops? Is it right?




Yes. Banks now-a-days issue ATM cum Debit cards to their customers. Such card can be used at shops for making payment. This means that you do not have to carry cash when you go to the shops and it is enough to carry the ATM card



38 A person asked me to deposit his money amounting to Rs.5.00 Lakh in my SB account and transfer the funds to his friends account at Mumbai. He asked this favour as he has no bank account. My son says we should help him. Should I?

No. Doing so will be illegal and may land you in difficulties. Please do not extend such favour to anyone. You do not know the source of that money. It could be unaccounted money or illegal money. If you deposit money belonging to another person in to your account it can land you in trouble.

	
<p>39 I am illiterate. And my neighbor is a literate person. The bank in my village is refusing to open a joint account for us? Is it correct?</p> 	<p>Banks discourage opening of such joint accounts as illiterates could be cheated by the literate person while depositing or withdrawing money in their account.</p> <p>However such accounts may be allowed in case of joint accounts of closely related persons like husband and wife. Also in the case of illiterates with genuine request. In case an illiterate person wants to open an account jointly with a literate or illiterate person, such account would be opened with the condition that it can be operated only jointly, by both. For such accounts, no cheque book will be issued by the bank.</p>
<p>40 One banker says that if I open a savings account with his bank, my deposit will be covered by deposit insurance without any cost. Can he be believed?</p>	<p>Yes. The deposits upto Rs. One lakh per person in bank accounts are insured by deposit Insurance corporation. All commercial banks including branches of foreign banks that function in India are insured by Deposit Insurance and Credit Guarantee Corporation. This is called Deposit Insurance.</p>
<p>41 Is it correct? What is the Insurance cover?</p>	<p>The insurance coverage is up to Rs. One Lakh deposit per person. If an individual has more than one Lakh in several accounts, which includes recurring deposits, savings account and fixed deposit, the maximum insurance cover that he is entitled to remains at Rs 1 Lakh.</p>
<p>42 Whether all the deposits are covered by deposit Insurance?</p>	<p>Yes. All bank deposits including current accounts are covered under the deposit insurance scheme. In the event of a bank failure, you will get compensation as stated above i.e. upto Rs. 1 lakh.</p>
<p>43 Is introducing an account in a bank without any responsibility?</p>	<p>The introducer of an account has some responsibility. It is necessary for banks to know their customers and to put in place proper systems and procedures. The practice of obtaining proper introduction should not be treated as a mere formality, but as a measure</p>

	<p>of safe-guard against opening of accounts by undesirable persons or in fictitious names with a view, <i>inter alia</i>, to depositing unaccounted money or stealing someone else's money. The introducer of an account should therefore be sure of genuineness of the person's identity, address etc.</p>
<p>44 What is the responsibility of an Introducer?</p> 	<p>Introduction of an account is not a mere formality. Frauds may happen through opening of accounts in fictitious names, irregular payment of cheques, manipulation of accounts and unauthorized operations in accounts etc.</p> <p>Opening an account is the first entry point for a person to become a customer of the bank. Hence, banks take utmost vigilance while opening accounts and watch operations in the accounts.</p> <p>When one introduces a person to the bank at the time of opening of the account, he helps the bank for identification of the person opening the account. When the situation arises, the introducer must be in a position to properly identify the person whom he has introduced while opening the account</p>
<p>45 Suppose a fraud has come to light in an account, whether the introducer will also be held responsible for the fraud?</p>  <p>I introduced that account.....what to do</p>	<p>If the introducer has no any connection with the fraud and there is no evidence against the introducer, the introducer need not worry at all. You could not be and will not be held liable for a fraud played on the bank by an account holder just because you have introduced that account. However, the introducer may be held responsible if the fraud is on account of wrong identity and address of the person.</p>
<p>46 My friend opened a Savings Bank account with a bank as the bank staff approached him and requested</p>	<p>Yes, banks may charge the customer if an account is closed within a year of opening the account. Charges differ from bank to bank. Some banks may waive this if adequate balance was maintained in the account.</p>

<p>him to open. Subsequently my friend closed the account after 8 months. The bank charged Rs.100/- and told that this was a penalty for closing the account within a year!</p>	
<p>47 I have heard that banks are recovering cheque return charges. What is this cheque return charges?</p>	<p>If you issue cheque but it is returned because the balance in the account was insufficient, bank will charge “cheque return charges”.</p> <p>Some banks also charge when a cheque deposited by you in your account is returned by the paying bank.</p> <p>The amount of “cheque return charges” varies from bank to bank.</p>
<p>48 Will bank levy charges if I give cheque drawn on some other city for collection?</p>	<p>Yes, banks have specified charges depending on the amount and location. The details of these fees are available in the branches of the banks and on their website.</p>
<p>49 Are there any other charges on SB account levied by the bank?</p>	<p>Yes. there are some situation where the bank will collect some fee/charges. 1. Suppose you issued a cheque and subsequently you gave an instruction to the bank to “stop payment” of that cheque. The bank will levy a charge.</p> <p>2. Normally a bank issues one or two cheque books for use free of charge. If you use more cheque leaves than the maximum allowed, banks may charge additional fee.</p> <p>3. Similarly, if you lost your ATM card and the bank issued a duplicate card. bank will charge a fee, say Rs.100/-</p> <p>4. Banks also collect additional commission/fee for issue of duplicate demand draft.</p>
<p>50 I think for every transaction there is a charge/fee in banks. Will they charge for talking to them also?</p>	<p>No banks do not charge for talking to them. Banks are commercial organizations and have to meet their expenses. Therefore most activities are priced. RBI monitors to ensure that the prices are appropriate, advised to all customers upfront and that no individual is over charged.</p> <p>)</p>

51 Is there any limit on the number of deposit accounts that I can open in a bank? Is it wrong if I open deposit accounts with many banks?

There is no restriction on the number of deposit accounts. You can open accounts in any bank. In all the cases the banks will insist on KYC. Please note that in case of accounts with higher amount of deposits banks will insist on PAN number and will also deduct TDS.



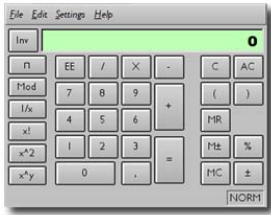

LOANS

52 I am a farmer can I get a small loan of Rs.75,000/- to construct an extension for my cow shed? What are all the details I have to give to the bank if I have to get such loan?



Yes. You can get a loan for the construction of an extension for your cow shed. You have to submit the prescribed application form duly filled in. You will get the application form from the concerned bank branch. Along with the loan application, you will have to submit certain information to the bank. Normally the bank official will give you a list of the papers to be submitted. This will include details of your land, your income details, your photo, approval from the local body for the construction of the cowshed if needed, the details of the construction cost etc. You may be asked to give a small project report, containing details such as location of the cow shed, whether cow shed proposed to be extended is adequate and as per standard requirements for housing milch animals, whether the climate is suitable for breeding of cows / milch animals, whether the location of the cow shed is ideal etc . Bank will also ask o about your experience in the line of activity. The bank will also enquire if you will be able to bring in your margin money, the source of the same and repayment capacity, etc.. Based on merits of your project report, bank will consider the loan application and also decide the loan amount.

<p>53 The loan application form received (from a bank) by my neighbour is fully in English language. We, in the villages, are not fully smooth even in our mother tongue leave alone English. Is there any provision to get loan application in vernacular language?</p>	<p>You will get an application form in local vernacular. The banks are committed to give to the customer's information about the products in Hindi, English and the local language. Hence, your neighbour can get the loan application in vernacular language.</p>
<p>54 When a friend of mine went to a bank recently for a loan he was told by the loan officer that he will have to arrange margin amount for the loan. What is margin? Is it any hidden charge?</p>	<p>Banks do not finance the full price of asset to be purchased. The amount of finance could differ from case to case. Therefore, when a borrower wants to procure an asset with bank finance, the bank will lend up to certain percentage, say, 75%. The bank asks the borrower to bring the difference between the value of the asset and the loan proposed to be granted by the bank. This difference is known as the margin amount.</p> <p>Margin is not a hidden charge. Margin ensures that the proponent (you) takes full interest in the business. If you do not have any stake you may not take interest in the project or activity. Also margin protects the bank against fall in the value of the asset. Thus banks insist for some margin to be brought in upfront.</p>
<p>55 How much is the margin requirement ?</p>	<p>The margin amount to be contributed by a borrower is not the same in all loan accounts. It depends on the project, borrowers' other credentials and the policies of the Bank. For example, in the case of housing loan, bank may specify margin at 20%. In loan to purchase machinery, margin may be 25%. For education loan up to Rs.4.00 Lakh no margin is insisted.</p>

<p>56 What will be the interest rate for the cow shed loan if sanctioned? When I have to pay the interest?</p>	<p>Loan for construction of cow shed is one of the allied activities of Agriculture and is covered under the Priority Sector of advances. Normally, interest rate for agricultural loans involving small amounts is the base rate of the bank. The details of rates of interest will be available in the website or the branch of the bank</p>
<p>57 What is the base rate?</p>	<p>Base rate is the minimum interest rate that the bank will charge on any loan account. This rate will vary from bank to bank.</p>
<p>58 How the interest is calculated for such a loan?</p> 	<p>Interest on the loan account is calculated on the daily balance basis. The interest is finally charged into the account once in a month, generally on the last working day of the bank.</p> 
<p>59 What is EMI?</p>	<p>This is a term used for monthly repayment of loan. Equated monthly installment (EMI) is a fixed amount of repayment by a borrower to a lender at a specified date in each calendar month. EMI includes both interest and principal. If all EMIs are added up it will be equal to the principal amount plus the interest. EMIs are calculated so as to repay both interest and principal in each month, so that over a specified number of months, the loan is liquidated in full.</p>
<p>60 What is the benefit of EMI to the borrowers</p>	<p>It distributes the burden of repayment of loan installment and interest over the entire period of loan. Otherwise, the borrower may find it difficult to repayment loan and installment in the beginning.</p>

61 What is simple interest?	<p>Interest is called simple when interest on interest is not charged. In other words, when interest is charged only on principal amount.</p>
62 What is flat rate of interest?	<p>Normally interest is calculated on the balance outstanding. Since repayment keeps happening the interest gets calculated on the reducing balance. As against this, there exists a practice where the interest is charged on the original amount lent even when the principal amount gets reduced with the repaid amount. The rate so charged therefore works out to much higher. Flat interest rate loans are often used by moneylenders. This method is also used by some of the microfinance institutions. Flat rate is advocated on the basis of ease of use. For example, a loan of Rs.12000/- can be structured with 12 monthly repayments of 1000/- plus interest at the rate of 1% a month, resulting in a total monthly payment of Rs.1120/- Flat rate calculations have been outlawed in many countries, but is still in practice in many developing countries. Flat rate is not advantageous to the borrower.</p>
63 What is reducing balance interest?	<p>Reducing balance interest means that interest is charged only on the outstanding amount of a loan. Suppose you are repaying every month the installments, interest will be calculated on the outstanding amount after the repayment. In this way, there is a gradual reduction of the capital and consequently the interest burden becomes less, since the interest is charged only on the balance outstanding. Banks usually charge interest on this basis only. It is fair to both, the borrower and the bank.</p>

64 What is moratorium period?



Moratorium is the initial period after disbursement of the loan, during which repayment is deferred. Normally, the repayment by the borrower starts one month after the disbursement of the loan. Sometimes, it takes time for the completion of the project and generation of income from the project. In such cases, banks consider granting the moratorium period.

65 What are the loans where moratorium is granted?

Normally, moratorium is allowed in industrial, commercial advances and agricultural (digging of well/plantation etc) advances. Moratorium is also allowed in loans like education loans and housing loans.

In the education loan, for example, the borrower will be able to pay only after completion of the course and getting a job. So banks give a moratorium period equal to the duration of the course and another one year or till the borrower get an employment whichever is earlier.

66 During the moratorium period, whether interest has to be serviced?

The terms and conditions for servicing of loans in the moratorium period vary from case to case. Some banks offer a concessional interest rate if the borrower arranges to pay the interest portion of the loan during the moratorium period. However, the borrower has the discretion of servicing the loan even during the moratorium period if he wishes to, even if the terms and conditions of sanction do not prescribe so. Example: education loan.

67 How the Bank decides repayment schedule?

The bank arrives at the amount that can be lent on the basis of cash flow or repayment capacity of the loanee.

The repayment capacity depends on the income generation of the


	<p>project/applicant, cash flow, expenses required for maintaining the business/project, family expenses and meeting out other obligations etc. The overall cash inflow as reduced by the above gives the repayment capacity (residual balance) of the borrower.</p> <p>The repayment capacity is the amount that a borrower can allot for repayment of the loan after meeting the expenses. Thus there could be cases where the difference between the total expenses and the total income becomes a negative value. In such a situation, the borrower will find it difficult to repay the loan. This may lead to loan default.</p> <p>Bank ensures that the amount lent has some meaningful relationship to the borrower's repayment capacity. Hence, while deciding the repayment schedule, the Bank takes into account the income generation, the essential expenses and other obligations which the borrower would have to meet every month and finally the repayment capacity of the borrower is assessed.</p>
<p>68 How the repayment period is fixed for the housing loan?</p>	<p>When you buy a house there is no incremental income. In fact the monthly maintenance expenses will only reduce the income. However if you were previously staying in a rented house, there will be savings on rent. There are other expenses on tax etc. Thus calculation of repayment becomes an issue. Therefore banks arrive at the repayment capacity of the borrower by arriving at the monthly surplus after meeting the monthly expenses. This is calculated by taking the income (salary and other income of yourself/spouse) and reducing the expenses. The loan amount is then divided by the amount of surplus to arrive at the repayment period. Banks</p>


	will insist on verifying the income as otherwise the account may go in default due to higher EMI. The repayment period is also related to his productive age and if the borrower is employed, his retirement age will be considered as the final repayment period. If the repayment capacity is lower the bank may lend a lower amount.
69 Is it true that only salaried people will get housing loan?	No. Normally, every individual who has sufficient income to meet the repayment obligation is eligible for a housing loan. He has to produce the papers for proving his income, say, Income Tax returns, salary slips, accounts statement etc. Salaried people find it easy as they have monthly income which is convenient to pay the EMI. Banks encourage all people to take home loans. That's why home loans come under priority sector.
70 What are all the purposes for which housing loan is available?	Housing loans are available for the following purposes. <ul style="list-style-type: none"> • Construction, • Outright purchase of house/flat • Repair of the house, • Alterations/modifications/ extensions, etc. Further banks give loans for purchase of housing plots also. In such cases, the borrower has to give a declaration that he will construct the house in that plot within a reasonable period.
71 If I own a house, am I eligible for a second housing loan?	Yes. You are eligible for housing loan to own a second house.
72 What is called Fixed rate of interest in Home Loan?	If the interest rate fixed by the bank remains unchanged for the entire duration (agreed repayment period) of the loan, it is known as fixed rate loan. If the rate of interest is subject to change every quarter/half year or so based on change in benchmark (say


	<p>Base Rate) the rate is known as floating rate.</p> <p>If the rate is fixed the EMI will remain unaltered throughout the loan period. If the banks offer floating rate the EMI will change.</p> <p>A fixed rate is good if the market interest rates are rising. A floating rate is good if the rates are falling. Fixed interest home loans allow the repayment in fixed equal monthly installments over the entire period of loan tenure. The rate of interest does not change with market fluctuations. If one prefers to choose a fixed rate home loan, it is easy for him to budget and has an element of certainty with it. Even if the market pressures push the interest rates to a higher level, the borrower pays only a fixed EMI.</p> <p>The fixed rate could also be changed if the banks stipulate a re-set clause. Fixed rate continues for a predetermined period as per the agreement. Thereafter bank can alter the rate of interest. This is known as reset clause.</p>
<p>73 What is called Floating rate of interest in Housing Loan?</p>	<p>Floating rate of interest is common in housing loans sanctioned by the banks. Floating interest rate home loans are tied up to the base rate plus a floating element thereof. So, if the base rate varies, the floating rate also varies.</p> <p>Normally, floating rate home loans are cheaper than fixed rate of interest. But there is uncertainty of the interest rate movement in future. If the market pressures push the interest rates to a higher level, the base rate shall increase and the borrower will have to pay a higher interest rate.</p>


<p>74. Please give an example of fixed and floating rate</p>	<p>Fixed rate: Bank lends you a home loan for 10 years at 9% ROI. Floating rate: Bank stipulates interest linked to base rate. The first rate of interest the bank stipulated was 10% at base rate + 3%. The base rate subsequently moved up to 8% and therefore the bank loan will be at 11%. If the base rate comes down to 5% the rate should be 8%. But the Banks may stipulate a minimum rate (say 9%); in which case, the interest rate will be specified as base rate + 3% subject to a minimum of 9%.</p>
<p>75 Should I take insurance for my Housing Loan</p>	<p>Yes, you should take house insurance for house property. This is essential to protect the house from losses arising out of such eventualities as earth quake, floods, fire etc.</p> <p>Further banks will advise the borrower to take a life insurance policy. This is to protect the banks interest as also to protect your family members if something unfortunate happens to you. The Life Insurance in your name is to protect the family from the financial liability. Generally banks advise the borrowers to take home loan insurance. When a borrower takes a home loan, he enters into a long term financial commitment. To take care of the uncertainties during the period, the insurance is obtained. Banks have a tie-up with the insurance companies to get some concession in the premium payable.</p> <p>This Insurance policy (known as home loan insurance) ensures that the outstanding loan, up to the amount insured, is repaid in the event of death of the borrower, which is a huge security during the term of the loan. This plan is a single premium decreasing term assurance plan wherein, as the loan amount</p>

	diminishes on getting repaid, the sum assured also reduces in the same proportion. This ensures that the customer only pays for the protection that is required and does not end up paying additional premium.
76 My daughter wanted to study in a college in Karnataka for B.Sc. Nursing. Can I get Bank education loan for my daughter's studies? What are the modalities of availing education loan?	<p>You can avail an education loan for the higher studies of your daughter. You have to give the application in the prescribed format of the bank along with the various enclosures as per the check list that the bank will provide you along with the application format.</p> <p>Please ensure that the college that your daughter plans to study is approved by the nursing council. Bank loan amount will cover the tuition fee, hostel fee, study materials and other essential incidentals as per scheme. The bank will normally extend full coverage subject to availability of some collateral security.</p>
77 My son wants to study for MBA at Singapore. Can he avail education loan from a bank?	<p>You can avail an education loan for the higher studies of your son. You have to give the application in the prescribed format of the bank along with the various enclosures as per the check list that the bank will provide you along with the application format. Please ensure that the college that your son plans to study is approved. Cost of tuition fee, caution deposit, hostel fee, study materials are eligible to be included in the total cost for which the loan is sought for. Normally, banks consider loan up to Rs.20.00 Lakh for higher studies abroad.</p>
78 Whether the bank will sanction a second education loan?	<p>Yes, second education loan is available for higher studies. A student who has availed an education loan for Graduation can avail a second loan for Post Graduation even though the first loan is outstanding.</p>

<p>79 For what are all purposes education loan will be sanctioned? Can the travelling expenses be also included while calculating the eligible loan amount?</p>	<p>Graduation, post graduation like MBA, MCA courses like ICWA, CA and approved courses by reputed universities are also eligible for education loan.</p> <p>Some banks provide for one way air fare, (for one trip) at the time of joining the course. This is given to students going abroad for further studies, and is not applicable for students opting for domestic studies.</p>
<p>80 What is progressive repayment schedule?</p> 	<p>Repayment is stipulated on the basis of cash flow. Repayment schedule (the detail of repayment for the period of loan) is stipulated taking into consideration the income generation of the borrower and cash flow, expenses required for maintaining family and meeting out other obligations and finally the repayment capacity (residual balance) of the borrower.</p> <p>While evaluating the repayment capacity, sometimes it is seen that initially the borrower may not be in a position to pay a higher amount but will be able to pay a lesser amount. However later he/she can pay more amount. In such cases, by selecting a progressive monthly repayment plan, the borrower can limit the amount of monthly repayment in the initial period without causing strain on his/her repayment capacity. For example the EMI can be Rs 10000 per month for the first two years and later it can be made Rs 15000 per month .</p>
<p>81 What is cattle insurance?</p>	<p>Cattle such as cows and buffaloes, calves / heifers, stud bulls, bullocks are covered by insurance and it is called cattle insurance. Cattle insurance protects the owner of cattle against the death of the cattle. If the cattle dies, the owner is paid the sum assured (Insurance amount).</p>

<p>82 Whether all the animals are covered under Insurance?</p>	<p>The animals within a specified age group are covered under cattle insurance. Whenever a proposal for insurance of cattle is submitted to the Insurance Company, the Veterinary Doctor of the Insurance Company inspects the animals to be insured and takes a decision about the insurance. Birds (poultry) can also be insured.</p>  <p>Insurance is a protection</p>
<p>83 I have a small diary unit and have 5 cows. If I want to insure all the 5 buffaloes, will I get any concession on the premium amount?</p>	<p>In case of a diary unit, group discounts are also available, if all the animals are insured.</p>
<p>84 I heard that interest concession is given for prompt repayment of loan? Is it correct? What concession will I get?</p>	<p>Some banks give interest concession; say 0.50%, for prompt in repayment of loan amount and timely payment of interest. The interest concession is given at the time of closure of the loan account. Wherever the bank considers grant of such interest concession, the same would be mentioned in the terms and conditions of sanction at the time of sanction of the loan.</p>
<p>85 What are the benefits I get if I promptly repay a Bank loan?</p>	<p>When you promptly repay a Bank loan, you create a good credit history in the records of the Bank. As such you are eligible to get all the benefits from a</p>

	<p>Bank which a person of good credit history is entitled to. For instance, some banks give a concession in interest rate at the time of closure of the loan account, if the repayment has been very regular and the loan account has been conducted strictly in line with the terms and conditions of the loan.</p> <p>Some banks give 0.50 percent reduction in interest rate. Some banks recognize a prompt borrower in open functions like the customer meet. Banks also offer second or third loan which helps you to improve your business etc. Good credit history entitles you to more loans.</p> <p>Above all, you have the mental peace and satisfaction of being a good customer of the bank.</p>
<p>86 What is a crop loan?</p> 	<p>Banks offer financial assistance to farmers to meet cultivation expenses for various crops as Short Term Loan in the form of Kisan Credit Card. The crop loan is extended to cultivators, agriculturists, tenant farmers and share croppers. Farmers who actually cultivate the lands are eligible for these loans.</p>
<p>87 How I can avail a crop loan?</p>	<p>For this you must be a farmer or a tenant cultivator. Whenever you want a crop loan you can approach a Bank and submit an application. Bank verifies the land records of the farmer to ascertain the cultivation rights, acreage under different crops, availability of irrigation facilities, sources of other borrowings etc., before granting the crop loan.</p> <p>Once the bank is satisfied about your eligibility for crop loan, it sanctions a Kisan Credit Card Loan and indicates the limit up to which you can borrow. KCC is a five year limit and therefore</p>

	<p>once the limit is sanctioned you do not have to repeat the application process every year.</p> <p>You can use the loan amount for all the necessary expenses and use the account like a current account for depositing and drawing money frequently.</p> <p>Crop loans have to be repaid as per stipulated terms.</p>
88 What is Kisan Credit Card?	<p>In the past, banks were issuing crop loan repayable in 9 months. Farmers were put to difficulties because they were not sure if they will continue to get the loan once the loan is repaid. Also the sanction process was repeated every 9 months which costs time and effort. However as the crop loan support is definitely needed in the season, the banks have offered a Kisan Credit Card. Under this scheme the borrowers are given a 5 years crop loan limit. Banks also offer ATM like cards which can be used for drawing funds in ATM or used in fertilizer and other shops. The limit can be used for drawing and depositing money as many times as necessary and there is no limit on the operations. KCC helps reduce the hassles in the delivery of crop loans. It is now mandatory that crop loans are given in the form of KCC only.</p>
89 Which are all the banks that extend crop loan?	<p>All banks commercial banks, co-operative banks, RRBs, and LABs provide agricultural financing including crop loan.</p> 
90 The Agricultural Officer of a	<p>Each district has a District Level Technical Committee consisting of officers of the State Government and</p>

arrived at by the committee for lending in that district considering various requirements for raising of crops. A scale of finance is nothing but the amount of loan that a bank is willing to give for growing an acre of a crop. SOF is developed by the DLTC for all the crops grown in a district. SOF is a guidance matter and ensures that all banks adopt similar norms for financing which is adequate. For example if the SOF for sugar cane is Rs. 35000 per acre a bank will sanction a loan of Rs. 35000 to the farmer with one acre of sugarcane crop. All banks operating in the district adopt the Scale of Finance approved by the DLTC while extending crop loans. Banks can finance more than SOF also.

91 Can I draw the crop loan in installments according to my need for the funds?

Yes, you can. Actually, under KCC crop loan is sanctioned as a revolving Cash Credit limit. You can draw the sanctioned loan in installments as per your requirement within the overall limit sanctioned. You can also credit the sale proceeds into the account. Multiple credits and multiple debits are allowed in the account. This is very advantageous to you.

92 Can I take two loans from a Bank?

Yes. You can avail two loans from a bank depending on the purpose. To illustrate, if you have a crop loan from a bank, you can also take loan from the bank for an allied activity, say, for purchase of cows. Nowadays bank sanction a composite limit under KCC for both crop loan and terms loans

93 Can I take two loans from two banks for my agricultural purpose?

Yes. You are not prevented from taking two loans from two different banks. Here again the purpose of loans should be different. When you approach the second bank for the

	<p>second loan, you will have to disclose the full details of the first loan and the purpose for which the same has been availed by you and the present position of the loan account. The bank will also obtain a report directly from that bank about your account.</p> <p>However, it is better to avail your loans from the same bank unless there are compelling reasons. This is because multiple loans from multiple banks will lead to diversion. Also that calls for higher skills of financial management. Borrowing from one bank is good for both banks and customers. There will be better understanding and mutual confidence between the borrower and the bank.</p>
<p>94 Subsidy is popular. I heard several subsidies are available under different schemes. What is Subsidy?</p>	<p>There are some investment needs which involve higher financial outlay and possibly every individual may not be able to bring the margin or down payment. Therefore the Government extends a financial help in a form that the user can avail the goods / services. This is called subsidy. Subsidy is money/grant made available by Government. Subsidies in areas such as education, health, agriculture and environment merit justification on grounds that their benefits are spread well beyond immediate recipients of subsidy and are beneficial to the population at large and essentially a boon to the downtrodden sections of society.</p> <p>Subsidies are directed towards removal of poverty.</p>
<p>95 How is interest calculated for the crop loan?</p>	<p>Interest is calculated on daily product basis and the interest is charged every half year.</p>
<p>96 What is crop insurance?</p>	<p>Crop insurance is insurance of crops to protect farmers from loss due to crop damages.</p>

	<p>Farming is a risky business. Adverse weather conditions like sudden frost, thunderstorm or drought can affect the yield of entire crop of a season. The crops are also vulnerable to pest infestations and disease. Crop insurance helps to reduce the financial risk in farming.</p> <p>Crop insurance is available even for those farmers who have not taken bank loans. There are many rules for crop insurance which please read and understand them clearly.</p>
<p>97 Can you please brief about kisan credit card?</p> 	<p>Kisan Credit Card is a credit delivery innovation for providing adequate and timely credit to farmers under single window with flexible and simplified procedure, adopting whole farm approach. Beneficiaries covered under the Scheme are issued with a credit card and a pass book or a credit card cum pass book incorporating the name, address, particulars of land holding, borrowing limit, validity period, a passport size photograph of holder etc., which shall serve both as an identity card and facilitate recording of transactions on an ongoing basis.</p>
<p>98 How the farmer can use the Kisan Credit Card to get money (credit)? Once the Kisan Credit Card has been used to get money, whether the entire amount has to be paid back with interest, before taking further money?</p>	<p>The limit under Kisan Credit Card is granted as a Revolving Cash Credit facility permitting any number of drawals and repayments within the sanctioned limit.</p>
<p>99 How the Kisan Credit card limit is fixed?</p>	<p>The limit under Kisan Credit Card is fixed taking into account the various operational factors like land holding, cropping pattern, short term production needs for raising the crop, scale of finance, working capital requirement for ancillary activities related to crop production and non-farm credit needs.</p>

100 Whether the Kisan Credit card limit could be increased?	<p>Credit card limit could be increased on progressive basis to take care of increase in input costs, change in cropping pattern etc. The validity period of the card is 5 (5 mentioned at point no. 88 and below at 101?)– years subject to annual review.</p>
101 Can you please tell me the advantages of a Kisan Credit Card to a farmer?	<p>Kisan Credit Card limit is valid for five years. The limit includes non-farm expenses also. There is no annual sanction procedures. It reduces interest burden as the farmer can remit the sales proceeds to the account and draw as and when required. The farmer has the flexibility of draws from a branch other than the Card issuing branch at the discretion of the bank. Further, KCC holders are covered under Personal Accident Insurance Scheme.</p>
102 Whether crop loans availed under KCC are covered by insurance?	<p>Crop loans disbursed under the KCC scheme for notified crops are covered under Rashtriya Krishi Bima Yojana (National Crop Insurance Scheme), a crop insurance scheme introduced at the behest of Government of India to protect the interests of the farmer against loss of crop yield caused by natural calamities, pest attacks etc.</p>
103 What is Personal Accident Insurance scheme?	<p>Under this policy, the insured are covered against accidents for partial or full loss. Kisan Credit Card holders are covered under Personal Accident Insurance. This insurance policy covers the KCC holders up to the age of 70 years and whose names are declared by the bank and in respect of whom the annual premium is paid by the bank to the Insurance Company.</p>
104 Can you please explain about general credit card?	<p>In rural areas there has been demand from the people for a General Credit Card like Kisan Credit Card. A GCC is a limit approved to a borrower say upto</p>



RS 25000 which can be used by the borrower for consumption or other needs. Under the scheme, there would not be any insistence on collateral or surety and asking the purpose or end-use of the credit. With a view to encourage women as beneficiaries of bank credit, they may be given a preferential treatment under the GCC scheme.

105

I have purchased a plot of around one acre for agricultural purpose. I want to level the land and also have compound wall and dig a well. Will I get any loan for this purpose?

Financing for land development and development of Irrigation infrastructure is termed as Agricultural development loan. Land development aims to convert fallow / barren or uncultivable land into cultivable lands. This includes land leveling, land reclamation, treatment of land etc.

Bank will consider your request for a loan. Loan quantum will be considered on the basis of Engineer's estimate and certificate as per government-scheduled rate.

Apart from commercial banks, there are also Land development banks who consider medium to long term loans for such purposes.

For greater and sustained crop production, irrigation facilities are to be developed. Banks consider medium to long term loans with repayments up to 15 years for construction of open wells, bore wells, tube wells, repair of existing wells, Laying out pipeline, Sprinkler and Drip Irrigation systems.

106

What is a Lead Bank? Is it the name of a Bank?



Lead Bank is not the name of a Bank. It is a Scheme under which one of the banks in the district takes up the responsibility of planning and monitoring the development of the district, particularly with reference to bank credit. Under the Lead Bank Scheme introduced in the year 1969, each district is allotted to a particular bank which will perform the role of a Lead Bank in that district.

The Lead Bank provides leadership in initiating, streamlining and accelerating the process of development of the respective district by enlisting the co-operation of other banks and by maintaining continuous liaison with Government & Quasi Government agencies. The lead bank prepares the district credit plan for the district.

107

If a loan is not promptly repaid what are the losses that one has to incur?

If the loan is not promptly repaid, the defaulter has to incur some losses. The immediate issue will be that credit flow will become stunted. Also the bank will, subject to some due diligence, levy penal interest in the loan account. Further, if the default persists for more than three months, the account will be treated as Non Performing Asset (NPA). The Bank will then initiate the recovery process through legal recourse. This may result in the loss of mortgaged property, if any. The bank will also inform the Credit Information company, about the debts the customer owes to bank. Once this information is shared with the Credit Information Company, the credit

	<p>history and the credit score of the customer which shows default shall become known to others and may create a problem for the customer in getting a loan from some other Banks in future.</p>
<p>108 What is meant by NPA?</p>	<p>NPA stands for Non Performing Assets. Banks expect that the principal amount of loan granted to the borrower and the interest on the said loan is repaid as stipulated at the time of sanction of loan. If the payment of interest and the principal amount or the installments are defaulted, the account is said to have become overdue. If the account remains overdue beyond 90 days of the stipulated time, the accounts are classified as NPA.</p>
<p>109 I heard that when one of my friends who has not repaid a loan that he had taken from a bank 4 years back went to another bank for a loan, initially the manager agreed. After few days, he was informed that the bank cannot sanction the loan as he had defaulted a loan in another bank earlier. How the bank knows this? Are the banks exchanging information between each other?</p>	<p>Banks are exchanging information between each other. Apart from that, the banks get information from credit information companies. Banks in an area will also insist on a No Dues Certificate from nearby banks as they would like to avoid defaulters.</p>
<p>110 I have heard that poor people in some villages join together and form self help groups. What is a self help group?</p>	<p>Self Help Group (SHG) is a homogeneous group of persons voluntarily formed to save whatever amount they can conveniently save out of their earnings and mutually agree to contribute to a common fund of the group to be lent to the members for meeting their productive and emergent credit needs. Once an SHG is formed and functions for some time, banks extend credit to the SHG for the benefit</p>

	<p>of its members. Generally, members of the SHG are from poor families. The Poor generally are keen to come together in informal ways for providing their savings and dispensing small and unsecured need based loans at varying costs to the group members.</p> <p>SHGs are formed both in rural and urban centers and also among the men and women.</p>
<p>111 What is a joint liability group?</p> 	<p>There are segments within the poor such as share croppers/oral lessees/tenant farmers, whose loan requirements are much larger but who have no collaterals to fit into the traditional financing schemes of the banking system. To service such clients, Joint Liability Groups (JLGs) came in to being. JLG, like SHG, is an informal group of 4 to 10 individuals coming together to avail bank loan either singly or through the group mechanism against mutual guarantee. The JLG members are expected to engage in a similar type of economic activities like crop production.</p>
<p>112 Who are eligible for financing under JLG?</p>	<p>Under the scheme, tenant farmers cultivating land either as oral lessees or sharecroppers and small farmers who do not have proper title of their land holding will be eligible for collateral-free credit through formation and financing of JLGs.</p>
<p>113 My neighbor is asking me to guarantee a loan that he is taking from a bank. He says that there is no any responsibility for me and it is just like introducing an SB account. Is it correct?</p>	<p>You can give surety or guarantee if you want to help your friend. However please note that guaranteeing a loan is not merely a formality.</p> <p>In the case of guaranteeing a loan, there is a contingent liability. If the borrower does not repay, the bank can recover the dues from you. You cannot refuse even if the default is willful. Giving surety or guarantee is not the same as that of introduction of an</p>



If he does not repay the loan, will the bank catch me if I am guaranteeing the loan. Better to avoid?

account. The liability of a guarantor is like a co-borrower. If you guarantee the loan of your neighbour, you must be prepared to pay his debts to the Bank in case your neighbour does not pay. So you must be clear about your obligations before you sign as a guarantor.

114 Can I get a loan for some rural activity like bee keeping?



Yes. Bee keeping is one of the allied activities of agriculture and you can get a loan for this activity.

115 I want loan for digging well. If I apply for a loan, will Bank consider my application?

Yes. Banks consider farm development loans such as loan for digging / deepening of well, drilling of bore wells etc. One of the eligibility criteria is that the farmer, applying for the loan should be the owner of the land. Also please ensure that ground water is available. This can be verified from the local ground water department officials..

116 Can I get loan from the bank against Warehouse receipts ?

Farmers can store their produces in the warehouse and wait for the right prices as the prices are not always advantageous. Bank will finance the farmers against such warehouse receipts. Similarly grain merchants buying farm produces may also store the same in appropriate warehouses. Here again finance will be available

	<p>against such warehouse receipts.</p> <p>Government is also taking efforts to make the warehouse receipts electronic so that the transfer of produce becomes easy.</p> <p>The food and agro based processing industries procure raw materials during harvesting season when they are available at low prices; but the same need to be stored. They are stored at warehouses. Bank considers loan against the warehouse receipts. But bank would consider the warehouse receipts of the approved Warehouses only, such as Central Warehousing Corporation or State Warehousing Corporation etc. The warehouse receipts would be pledged with the Bank as security for the loan. Finance against warehouse receipts comes under priority sector advances and if it is for agriculture goods, the same is considered as direct finance to agriculture.</p>
<p>117 I want to buy a tractor with bank finance. What are the requirements of a bank for sanctioning a loan for this purpose?</p>	<p>Farm mechanization is essential for improving agricultural production. A farmer is in need of Tractor/Power Tiller, with necessary equipment like cultivator, tiller, disc harrow, harvester, trailer etc. Banks consider loan for tractor and other equipments. The applicant should be a farmer having owned or registered leased land. The minimum land holding requirements differ from bank to bank and are different for various equipments. Therefore one needs to approach a bank branch to understand the eligibility requirements. Repayment is based on incremental income generated from crop production and repayment capacity of the borrower. Banks consider repayment in half</p>

	yearly installments.
118 I want to get my daughter married this year. Can I get a loan from Bank for marriage of my daughter?	<p>Bank considers grant of personal loan to take care of expenses at a short notice. The personal loan can be utilized for the purpose of marriage or any other personal use like travel and health purpose. The grant of personal loan depends on the source of income and repayment capacity of the person seeking loan.</p> <p>You can approach a bank for personal loan. At the same time please keep the expenditures to the minimum.</p>
119 I heard that gold loan is available from banks for agricultural purpose at concessional interest. Is this correct?	<p>Yes. Banks give loan against pledge of gold/gold jewellery for agricultural purposes at concessional rates.</p>
	
120 My friend says, for getting a loan, apart from interest I will have to pay processing charge, documentation charges, inspection charges, & insurance charges etc. Can you please explain these various charges? What is this processing charge?	<p>When you approach a bank for a loan, bank will give you the details of other charges, apart from applicable interest rates, like fees/charges for processing, pre-payment penalty and inspection charges etc. The charges the Bank collect for processing the proposal is called Processing fees/charges. Processing charges depend on the quantum of finance and also the category of advance. Every bank has well laid down guidelines on the charges. These charges are determined by the management of the bank and cannot be varied by the branch manager.</p>


<p>121 Bank has increased the interest rate on my housing loan. Whereas interest rate on my Fixed deposit was not increased, even though there was increase in rate of interest for fixed deposits. Why?</p>	<p>If there is provision for floating interest rate in your housing loan agreement, the interest rate may change whenever there is change in the base rate of the bank. If your housing loan is at fixed rate, the bank will not change the rate. Fixed Deposits are mostly issued on fixed rate. It is a contract to pay the specified interest rate. When the interest rate come down or go up, the interest rate on existing fixed deposits remains unchanged.</p>
<p>122 I have availed a loan for Goat rearing under SGSY scheme. Bank advised me to repay loan monthly. I am not in a position to repay monthly installments as there no monthly income from the activity. Please help me to convince the Bank and change repayment frequency to half yearly.</p>	<p>Possibly at the time of appraisal you might have declared other income. If you are able to convince them that your cash flow is suitable for half yearly payment, the bank will change the repayment schedule from monthly to half yearly.</p>
<p>123 My neighbor has taken loan from Bank last year. He is no more at present. Bank has initiated recovery steps against his legal heirs. We do not know whether any insurance cover is available for repayment of loan upon death of borrower?</p>	<p>Bank will inform the legal heirs if they had taken an insurance against the name of the deceased. In that case, the legal heirs will have to pay only the remainder of the loan not covered by the policy.</p>
<p>124 Can I prepay my housing loan? Whether the bank will charge any penalty for such prepayment?</p>	<p>Yes you can. Previously, some banks were charging penalty for prepayment of housing loan. It was felt by RBI that such a step by the lending banks would negate growth of housing loan sector. Accordingly, RBI has directed the banks not to charge any penalty for prepayment of housing loan. Now, no bank will charge prepayment penalty.</p>
<p>125 Bank advised me to insure full value of stock in my shop. I have taken loan of Rs. 2 Lakh whereas there</p>	<p>It is always advisable and necessary also to insure for full value of the stocks. Otherwise the insurance company will compensate you only proportionately.</p>

<p>is stock of Rs. 3 Lakh in my shop. Is it necessary to insure for Rs. 3 Lakh?</p>	<p>Assuming that you have taken insurance to the extent of your loan amount i.e. Rs. 2 Lakh and your total stock is of Rs. 3 Lakh and in a fire, your entire stock is destroyed (which we do not wish) and you have made a claim with your insurance company for compensation. The insurance company will settle, if all other things are in order, your claim to the extent of 66.66% of your loss amount. In other words, as against total loss of stock worth Rs. 3 Lakh, your claim will be settled at Rs. 1.33 Lakh only. This is because insurance policy contains an average clause. Such a situation may ruin your business to a great extent.</p> <p>Hence, please do not attempt to under-insure your stock for the sake of some savings some amount of insurance premium.</p>
<p>126 Can I get loan for cultivation of leased lands, without giving collateral security?</p>	<p>You can get such loans. Banks are giving such loans to Joint liability groups. A Joint Liability group is an informal group of say, 4 to 10 members coming together for the purpose of availing bank loan against mutual guarantees. The Joint Liability group members are expected to engage in similar type of economic activities like crop production.</p>
<p>127 Can I get interest free loan for raising crops?</p>	<p>There are no interest free loans as such. However you will be getting interest subsidy from the central government schemes. Currently crop loans up to Rs. 3 lakh are given at concessional rates of interest as the Government extends interest subsidy. Some of the state governments also offer interest subvention for the farmers.</p>

<p>128 My crop has failed due to drought. Whether the Bank will write-off the loan? Can I get moratorium for the loan?</p>	<p>Check up if the Crop Insurance scheme covers the loss. Banks will know if the insurance company has announced the loss and if the claims are being honored. Crop insurance is an area based scheme and will not cover crop losses in individual farms. Banks normally do not go in for writing-off the crop loan unless there is any specific scheme announced for it. You may request for granting re-schedulement of loan which may be considered by your bank in view of the genuine reason.</p>
<p>129 Is it beneficial to insure crops? It is learnt that the premium paid to insurance company will not be returned.</p>	<p>Insuring your crop is always good as it will help you to mitigate your risk. You know, agriculture is a risky business and your crop can be affected by drought or untimely rain. It is, therefore, advisable to insure the crops to take care of any such unforeseen eventualities. Crop insurance is an area based scheme and the premium is subsidised by the Government. Premium paid for insurance will not be returned by insurance companies.</p>
<p>130 I have defaulted in repaying my housing loan with the Bank for the last 3 months as I was sick and was under treatment. Can I get the housing loan restructured? The Bank has served me legal notice demanding repayment of entire loan.</p>	<p>You can approach your bank and have a discussion with them in this regard. You can also explain the circumstances under which the repayment got delayed. Your bank once convinced of your genuine difficulty, may agree for the re-schedulement of the loan repayment.</p>
<p>131 Whether processing charge are to be paid for all loans?</p>	<p>The processing charge is the fee charged by banks for manpower cost involved in processing the application for sanction of a loan. Processing charges depends on the quantum of finance and also the category of advance. Some banks do not charge processing fees on direct finance to agriculture and allied activities of agriculture. Some banks have</p>

	<p>exempted agricultural loans up to a certain limit from charging processing fees. Most of the banks are not charging processing fee for the education loan. Some banks waive processing charges for retail loans like housing finance and car loans during the festival seasons.</p>
<p>132 What is documentation charge?</p>	<p>Bank loan is a contract and you have to sign some agreements for the same. Agreements involve stamp duty. Unstamped agreements are not valid. At the time of getting the documents executed by the borrowers, the bank has to ensure proper stamping of the documents. The expenses regarding stamping of the documents and other incidental charges are called documentation charges. Some banks charge a flat rate towards documentation. This is to be borne by the borrower.</p>
<p>133 Why bank insist that the borrower takes an insurance policy? Who has to pay the charges for it?</p>	<p>Whenever Bank finances a borrower and out of bank finance an asset is created or any asset is given as security to the Bank for securing an advance, Bank would like to insure the asset to guard against erosion in value or any other risk attached to the asset. When the asset is to be insured, an amount called premium is paid to the Insurance company. This is called insurance premium or charges.</p>
<p>134 Why a security should be insured?</p>	<p>Bank would like to insure the asset which the Bank has got as security, to guard against erosion in value due to any contingencies or any other risk attached to the asset. Insurance provides financial protection. Physical assets are insured against specific risks such as theft, burglary or fire etc. If the assets are adequately insured, then it will be possible to ensure replacement of asset or income or both, lost through the occurrence of</p>

	any such contingencies. Taking insurance to cover the security is beneficial to both, Bank and the borrower.
135 My loan requirement is Rs 10,000 only where as security given to bank is worth Rs 100,000. Is it necessary to take insurance for Rs 1,00,000?	<p>The asset (security to Bank) has to be got adequately insured. In the event of claim, the Insurance Company shall provide full protection only when the sum insured is for full value. If the sum insured is low (under insurance) and if there is a claim, the insured would end up receiving a settlement, which would be substantially less than the full settlement of the claim thereby defeating the very purpose of taking an insurance cover.</p>
136 What is inspection charge?	<p>Since Bank credit is purpose oriented, post sanction inspection becomes very important. Bank would like to see that the borrower has properly utilized the amount for which the loan is granted and the security (asset) created out of bank finance is maintained well and is in the possession of the borrower. Bank would also like to ensure that financial details and other personal details as given by the borrower to the Bank are correct and there has been no misrepresentation of facts.</p> <p>To ensure all the above, Bank will inspect the residence / work place of the borrower for verification. The expenses incurred, for carrying out the inspection are charged to the account of the borrower. This is called the inspection charge. Usually, terms and conditions of agreement between Bank and the borrower shall clearly mention that Bank would be carrying out periodical inspections and the borrower would have to bear the inspection charges.</p>

<p>137 I have seen the insurance policy on the auto rickshaw of my relative. A bank's name is there along with his name. What is the reason for it?</p>	<p>When a vehicle is financed by a bank, the vehicle is the basic security for the loan. The vehicle is hypothecated to the bank as security. The bank would like to ensure that the bank's charge on the vehicle is protected and insist that the bank's name is inserted in the insurance policy. This is called Bank clause. In view of this Bank clause, in the event of a claim made under the policy, the payment will be made to the bank directly for appropriation of amount in borrower's loan account. Bank will use the insurance money towards repayment of the bank loan; and surplus, if any, will be paid to the borrower.</p>
<p>138 He told me that the loan is repaid. Should he continue the name of the Bank then in the policy?</p>	<p>No. If the vehicle loan has been repaid, your relative should approach Insurance company for deleting the bank's clause in the Insurance Policy along with a letter from the bank giving consent for deletion. The insurance company will arrange to delete the bank's name upon receipt of the consent letter from the Bank.</p>
<p>139 I have seen the RC book of his vehicle in which also the name of the Bank is appearing. What is the reason for it?</p> 	<p>When a vehicle is financed by a Bank, the vehicle is hypothecated as security to the bank. The hypothecation charge is registered with the Regional Transport Authority with the consent of the borrower. The RTA makes necessary hypothecation endorsement on the Registration Certificate (RC) book of the vehicle. This records that the vehicle has been acquired by the owner with the financial assistance of the Bank. It prevents the borrower from availing finance from other sources against the security of the same vehicle. It also ensures that the borrower is not able to sell and transfer the vehicle in anybody else's name without lending bank's consent.</p>

140

As he has repaid the loan, how the name of the Bank can be deleted from the RC book?

Upon repayment of the loan, for deleting the Bank's name as well as the hypothecation charge in favour of the Bank, the following simple procedure may be adopted:-

- Obtain a "No Dues / No Objection" Letter from the bank;
- Obtain a letter from the Bank addressed to the Regional Transport Authority requesting deletion/termination of the hypothecation endorsement in bank's favour in the RC Book;
- Submit both the letters to the RTO along with the original RC book, insurance certificate, and other KYC documents such as identity proof and address proof;
- The RTO upon verification of the above documents, will delete the Bank's name and hypothecation endorsement from the RC Book.

141

I saw a bank's name board in a stationery shop when I went there to purchase a school bag for my son. What is the reason for such a board that too inside the shop?

Hypothecated to




The shop owner must have borrowed from the Bank for procuring goods for trading in the shop. As security against the finance, the assets created i.e. stock is charged to the bank by way of hypothecation. Under hypothecation, the possession and ownership of the goods remain with the borrower, but a charge is created in favour of the lending bank. Displaying the bank's name board in the shop is nothing but a notice to others that the stocks are hypothecated to the bank. This will prevent the shop owner from availing further finance against the same stock of goods from other sources.


142

My friend is planning to start a small bakery unit and approached a bank for loan. He was told that his

Banks usually ask for some collateral securities or third party guarantee when a person requests for a credit facility. Availability of bank credit without the hassles of collaterals /

<p>loan will be covered under a guarantee scheme. What is this guarantee scheme?</p>	<p>third party guarantee would be a major source of support to the entrepreneurs who want to set up a small unit of their own. The government wants to support the Micro and Small Enterprise (MSE) as this is very important for the national economy. The bakery unit comes under the Micro, Small Enterprise (MSE) category. Keeping this objective in view, Ministry of Micro, Small & Medium Enterprises (MSME), Government of India, launched Credit Guarantee Scheme (CGS) to strengthen credit delivery to the MSE sector. The guarantee scheme is called the Credit Guarantee Scheme for Micro and Small Enterprises (CGMSE). The guarantee cover is available by paying the prescribed premium for the guarantee. Your friend's loan will be covered by the scheme and hence there will be payment of premium to the CGMSE. This is why the bank has told your friend about the guarantee scheme.</p>
<p>143 Which loans are covered under the CGSME scheme?</p>	<p>Any Micro & Small Enterprise(MSE) Loan granted without collateral security / third party guarantee is eligible to cover under CGMSE scheme.</p>
<p>144 To what extent of amount of loan the cover of Credit Guarantee Scheme for Micro & Small Enterprises is available?</p>  <p>Is there is a ceiling for the guarantee amount?</p>	<p>Credit facilities (Fund based and/or Non fund based) extended by banks, which are members of the Credit Guarantee Fund Trust for Micro & Small Enterprises, to eligible borrowers in the MSE sector for credit facility not <u>exceeding Rs.100 Lakh</u> (Scheduled Commercial Banks and select Financial Institutions) by way of term loan and/or working capital facilities are covered under the scheme. For Regional Rural Banks this ceiling is Rs. 50 Lakh.</p> <p>Please note that the guarantee coverage available varies based on the</p>

	<p>category / Quantum of finance and maximum amount of guarantee available is Rs.37.50 lacs for loan up to Rs. 50.00 lacs (75%) and Rs.62.50 lacs for loans above Rs.50.00 lacs and up to Rs.100.00 Lakh.</p> <p>If you are deliberately not repaying the loan, your account will not get support from the Trust.</p>
<p>145 One of my friends has availed an auto rickshaw loan from a bank. He says that his loan is under priority sector. What is this Priority sector?</p>  <p>Whether an auto/taxi driver or a small vendor and agriculturist are all coming under priority sector advance?</p> 	<p>Considering the importance of growth and development, the government has decided that some areas or sectors are of national priority and has advised commercial banks that they should increase their financing to these areas. Such lending is called priority sector lending. Priority sector lending impacts large sections of the population, the weaker sections and the sectors which are employment-intensive like agriculture, and small enterprises self employed people etc. Small transport operators like auto drivers are also coming under priority sector.</p>
<p>146 In our area no road transporters are operating. One of my friends, who is having adequate experience in the line, is desirous to start a transportation business. The total cost of the project is around Rs. 30 Lakh. He does not have any landed property nor any person of adequate means to offer as security/guarantor. Is there any scheme/possibility of getting bank finance for the venture in such a</p>	<p>It is good to note that your friend is planning to start a small road transport business in your area where such activities do not exist. He appears to be confident about the potentiality and viability of the project. He may be directed to approach the nearest bank and discuss the matter with the Bank Manager. Let him carry all the information that he has and tell them about his credentials. The activity comes under Small Transport Operators scheme under Micro & Small Enterprises (Service) category. Considering his experience, viability of the project, bank may consider</p>

<div> <div>case?</div> <div>  </div> </div>	<div> <div>financing the proposed project favourably.</div> <div> <p>Since he may not be in a position to offer any collateral as also third party guarantee, the proposed loan can be covered under the guarantee of Credit Guarantee Fund Trust for Micro & Small Enterprises Scheme (CGTMSE) by paying some nominal premium. Bank officials may have to be convinced suitably.</p> </div> </div>
<div> <div>147</div> <div> <p>I understand that banks will give loans only for purchase of new cars? Are used cars or second hand cars not financed by them?</p> </div> </div>	<div> <div>Banks give loans for purchase of new as well as used cars. In case of new car, some banks give loans upto 90% of the invoice value. For used cars, the age of the car should not be generally beyond 5 years and the car should be in good working condition. Bank may insist for more margins in case of used cars and offer shorter repayment period upto 3 years. Interest rate may vary from bank to bank. Every bank has its own terms and conditions.</div> </div>
<div> <div>148</div> <div> <p>I was told that if loan is not repaid timely penal interest will have to be paid. What is penal interest?</p> <p>Penal interest is punishment interest!!</p> </div> </div>	<div> <div>You know banks are taking deposit from the public and they are using the deposits received from the Public in extending loans and advances. Banks have the responsibility of returning the deposits on maturity or on demand to the depositors. Banks recover interest on their loans and expect that the principal amount of loan granted to the borrower comes back as per terms of sanction of the loan . If the payment of interest or the principal amount are defaulted, the bank might find it difficult to meet the commitment of repayment of deposits. They may have to arrange alternate funds for repaying the deposits. All these things will cost some money. Hence, when a borrower does not repay the loan as agreed, a penal interest is charged as a penalty. This interest is payable over and above</div> </div>

	the normal interest stipulated for the loan.
149 My neighbour approached a bank for a loan of Rs. 1.00 Lakh for starting a small grocery shop in the village. After submitting the papers the branch manager asked several additional papers and after 6 months the branch manager said he is not eligible for the loan. Can he lodge a complaint?	It is a commitment of the bank that normally they would call for and collect all documents and particulars required for processing the loan application at the time the customer submits the loan application to the bank and in case they need any additional information they will contact the customer immediately. As such asking for documents on several occasions and rejection of the loan after 6 months is not correct. Your neighbour can lodge a complaint.
150 Is there any time schedule for the disposal of applications? <div data-bbox="186 1025 466 1238" data-label="Image"> </div>	A bank's decision on the loan application received from an applicant is to be conveyed within 4 weeks from getting all required information in the case of small loans. Further, bank is required to communicate to the customer in writing both in the case of sanction or rejection. If the loan request is rejected, the reasons for rejection have to be informed.
151 There is a money lender in my village running 'Daily Finance Corporation'. If one borrows Rs.10000/- from him the borrower need to pay only Rs. 3/- per month for Rs.100/- We villagers feel that it is worth for us. But one of our relatives, who is dealing only with Banks, says it is a loss for us. Is he correct?	What your relative says is correct and this sort of arrangement is a loss for you people. When you pay Rs.3/- per month for Rs.100/-, the interest works out to Rs 36 per annum i.e. 36% per annum. While the money lender charges 36% interest, the bank charges interest of 12% p.a.or so. Further the bank adopts a reducing balance method of applying interest. Now you know that bank loan is much cheaper. The arrangement with the moneylender may look easier to the people, to deal with . But the interest rate is prohibitive and it is a loss for you.
152 The money lender takes the	What your relative says is correct and the sort of loan arrangement with the money lender will be a loss for your

<p>first installment and interest in the beginning itself and gives us only the balance amount. We feel it is good as that much loan burden is reduced. But my relative says it is a loss for us. Is he correct?</p>	<p>people. When the money lender takes the first installment and interest you get in hand much less money to use. For example if the installment is Rs 10 and Interest is Rs 12, the money lender gives you is Rs 78. Whereas the bank will lend the full Rs 100. You will be able to use the Rs 100 which will give you better profits than Rs 78. You should not get befooled by the feel good factor. When the money lender takes the first installment and interest in the beginning itself, you shall end up paying a huge amount by way of repayment at a hefty rate of interest. For example Rs. 12 interest on Rs. 100 is 12% whereas the same on Rs. 78 means 15.38%</p>
<p>153 I was told that banks also take different charges like inspection charge, processing charge etc. Is the village money lender better who does not take any other charges ?</p>	<p>Your comparison of bank with a money lender is not correct. Banks levy some charges like processing, inspection, etc. while processing the proposal for credit facilities. These charges are nominal. Including all these charges, the net cost will still be much lower when compared to cost of borrowing from the money lender. Money lender charges a very high rate of interest and takes the interest in advance. These charges are made known to the applicant at the time of sanction of the loan and the borrower agrees to the terms and conditions also. These charges are to make good the efforts put in for processing of the loan, out of pocket expenses for inspection of the assets offered as security/assets etc. Some of the charges / fees such as late payment fees, penal interest and penalty for non submission of financial details / data in time are levied only in case the borrower fails to meet his commitments as per terms and conditions of sanction of loan. You</p>

	<p>can avoid paying these charges by adhering to the terms of sanction. The interest charged by bank is reasonable whereas the interest charged by the village money lender is very high and in some cases prohibitive. As such, if a borrower conducts his loan account in a satisfactory manner and does not default in adhering to the terms and conditions of sanction, the bank loan is always better than that of the village money lender.</p> <p>Also note, for small loans up to 25,000 commercial banks do not charge any processing charges or even inspection charges.</p>
<p>154 My neighbour availed housing loan of Rs.3.00 lacs. While sanctioning the loan, he was told that rate of interest will remain unchanged for the first 5 years. But he found that interest has changed/ increased. Can he make a complaint to the bank?</p>	<p>At the time of sanction of a loan, the bank would have advised the borrower in writing, the terms and conditions of sanction. If the terms of sanction say that the rate of interest will remain unchanged for the first 5 years, then the Bank is at fault in changing / increasing the interest rate. Your neighbour can make a complaint to the concerned bank for redressal of his grievance.</p>
<p>155 Can he approach some other forum? If so, what are they?</p>	<p>Firstly, your neighbour should make a complaint to the concerned bank for redressal of his grievance. The banks are bound to address the grievance within a stipulated time. In case within 30 days of lodging a complaint with the bank, your neighbour does not get a satisfactory response or there is no response at all from the bank, he can approach Banking Ombudsman appointed by Reserve bank of India.</p>
<p>156 Can I make a complaint to RBI if I am not satisfied with the service of a bank?</p>	<p>Yes. In case you are not satisfied with the service of a bank, you can make a complaint to RBI. For that you have to undergo the following procedure:-</p> <p>a) You are required to make a complaint to the concerned Bank</p>



- for redressal of your grievance.
- b) Banks have committed that they would address the grievance within a stipulated period, say 30 days.
 - c) In case you do not receive a satisfactory response from the bank within the stipulated period, you can make a complaint to the Banking Ombudsman appointed by Reserve bank of India, along with all the necessary documents and the reply received from the bank, if any.
 - d) If you are not satisfied with the Ombudsman's decision, you can appeal to RBI for redressal of your grievance.

You do not have to go to the RBI at the very first instance.. You have to follow step by step as above.

157 What is Lok Adalat?





Lok Adalat is a system of dispute resolution developed in India. Lok Adalats are held by the State Authority, District Authority, Supreme Court Legal Services Committee, High Court Legal Services Committee, or Taluk Legal Services Committee.


Lok Adalat means "People's court". In our country, we have a tradition of resolving disputes through the mediation of village elders.

Lok Adalat is usually presided over by retired judges. The Lok Adalats deal with suits filed by the commercial banks also. There is no legal expense and the decision of the Lok Adalat is valid and enforceable in law. Compromise and settlements are also routed through Lok Adalat.

158 What is compromise and settlement?

Any resolution of a dispute by mutual agreement without resorting to legal remedies is called a compromise and settlement. Compromise and settlement is always preferable, if both parties (banker and the borrower) have

	<p>the same understanding of the settlement and the same has been arrived at without any coercion from any party.</p> <p>A valid compromise and settlement must be based on consideration. The terms of the offer of compromise and the acceptance of that offer must have clarity of purpose and the compromise and settlement must manifestly show that the parties making the offer and acceptance intend to assume the obligation.</p> <p>Many banks adopt compromise and settlement for speedy recovery of bad loans instead of resorting to legal remedies.</p>
<p>159 Whether the compromise and settlement is final and binding on both the parties?</p>  <p>Let stop legal fight. Let us compromise!</p>	<p>As long as both the parties i.e. the lender (bank) and the borrower, agree to the terms and the compromise is fair, the settlement is considered binding and the court views it as final and conclusive. A compromise and settlement will be put aside by the Court, only if there is evidence of bad faith or fraud. Once the agreed amount is paid the, borrower is no longer considered as a defaulter.</p>
<p>160 Why Banks are conducting Loan recovery melas?</p> 	<p>With the increase in the volume of credit extended by banks, there is increase in bad loans also. As per the present guidelines, no interest is to be booked in respect of accounts identified as bad or Non Performing Asset (NPA). Increasing NPAs is a big problem to the banks as the position would result in blockage of funds and income generation. Hence, banks take all efforts to reduce bad loans/NPAs. Loan Recovery melas is a major proactive exercise in the direction where the bank reaches out</p>

	<p>to the defaulters.</p> <p>In the melas, senior bank officials would also remain present. The defaulters would be free to discuss the matter of default amount and the repayment issues. The bank officials negotiate for rescheduling the installment, partial recovery of the loans, allowing some interest concessions etc and use strategies like one-time settlement etc. There will be a friendly atmosphere and defaulter can discuss their problems and arrive at a settlement. Many defaulters come forward to agree to the one time settlement offer. The recovery melas prove to be a success; a win-win situation for both the bank and the borrower.</p>
<p>161 What is a Revenue Recovery measure? I heard that if a borrower is not repaying a loan, the government will recover the dues for the bank from the borrower and shall give that amount so recovered to the bank. Is it correct?</p> 	<p>When a borrower is not repaying a loan, banks have various options for the recovery of the loan amount. One of these options is referring the matter to the revenue department of the State Government and request them to recover the dues for and on behalf of the bank under revenue recovery measure. This method of recovery through the State Government is called as revenue recovery measure.</p> <p>Banks call it as RR measure of recovery. But, please note, RR measure is not available in all states. Only in those states where the State Government has agreed to assist the banks for recovery of the dues through RR measures, this recovery method can be followed. Again, only those loans that can be referred for revenue recovery measure as decided by the respective state government. Normally, loans sanctioned under government sponsored schemes like</p>

	<p>PMRY, etc. are eligible for RR measure.</p> <p>Under RR measure, the concerned bank branch refers the matter to the government revenue department in the prescribed format when the borrower is not repaying the loan despite bank's demand. The bank, before referring the matter to the government department, also issues a RR notice to the borrower. Once the request is received from the bank the revenue department initiates recovery measures. Under RR measure, the government department treats the banks dues at par with tax dues and initiates the recovery measures accordingly. The RR authorities have certain powers of seizure and sale under the RR act and are more powerful than bank officials.</p> <p>The bank pays a specific percentage of the loan amount recovered as recovery charges to the government.</p>
<p>162 Who is a "willful defaulter"?</p>	<p>A "willful defaulter" is a borrower/unit who defaults in meeting the commitment or repayment obligations of a loan to the lender. A "willful default" is deemed to have occurred if any of the following events is noted:-</p> <ul style="list-style-type: none"> a) Default in repayment obligations by the borrower/unit to the lender even when he/she/it has the capacity to honour the said obligations. b) Default in repayment obligations by the borrower/unit to the lender and has not utilized the finance from the lender for the specific purposes for which finance was availed of

	<p>but has diverted the funds for other purposes.</p> <p>c) Default in repayment obligations by the borrower/unit to the lender and has siphoned off the funds so that the funds have neither been utilized for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.</p> <p>d) Default in repayment obligations by the borrower/unit to the lender and has also disposed off or removed the movable fixed assets or immovable property given by it for the purpose of securing a term loan without the knowledge of the bank/lender.</p> <p>RBI has laid down certain penal measures that are applicable to any willful defaulter involved in 'siphoning'/'diversion' of funds with an outstanding balance of Rs. 25 Lakh or more.</p>
<p>163 Is there any 'Non-willful' defaulter?</p>	<p>Yes, when a borrower fails to meet the commitment or payment obligations as per the terms of the sanction of loan by the lender, he is said to have defaulted in meeting his payment obligations.</p> <p>Sometimes the borrower defaults in payment obligations, due to reasons beyond his control such as bereavement of an earning member in family, terminal illness of a family member, reduction in salary because of industry recession and job loss etc. In such cases, the borrower, though</p>

	<p>having best of intentions for repayment to the Bank, may not be in a position to meet his obligations. True to the saying 'He did not do it because he could not do it' such defaulters are known as non-willful defaulters.</p>
<p>164 I have given to the Bank, 3 Post Dated Cheques (PDC) security while availing a personal loan. Since I lost the job, I asked the Bank to reschedule my loan and the Bank is not willing. In the meantime, the Bank has deposited one of my cheques (out of the three PDCs given to the Bank) filling all the amount due to the Bank, as per their books. Whether the Bank has acted in good faith?</p>	<p>Personal loan is normally considered as clean facility as no tangible asset is being created out of the loan. Hence, banks obtain post dated blank cheques as a security in such clean loans. Before depositing the cheque duly filled in, bank is required to give sufficient notice to the customer of its action. If the customer does not respond to the notice, it can utilize the cheque for recovery of its dues.</p> <p>However, in your case, the bank has not given the notice of its action in depositing the cheque towards recovery of the dues. The said action of the bank may not be treated as an act of good faith. As a result, if the cheque is returned for financial reason, the bank may not succeed in filing a criminal case against you. However, it is open to the bank for filing a civil case in Court of Law for recovery of its legitimate dues.</p>
<p>165 What are my rights as a borrower?</p>	<p>When you borrow money from a bank, it is very important to know your obligations and also rights. There must be transparency in dealing between the lender and the borrower. At the time of sanction of loan, the bank communicates to you in writing various terms and conditions. Your rights, as a borrower, include, among others, to know:-</p> <p>a) Loan amount</p>

	<p>b) Interest</p> <p>c) Security/guarantee</p> <p>d) repayment schedule</p> <p>e) other charges, you are liable to pay like processing charges, documentation charges, inspection charges, penal interest, pre-payment charges, if any etc.</p> <p>Further as per terms of sanction advised to you, the Bank has to disburse the loan if you have fulfilled the terms of sanction. The bank has the right to repossess the goods offered as security to the Bank for the loan, by giving you due notice as per law/ You too have a right to take back possession of the goods by making good all the payments due to the Bank (lender) before the goods are disposed of by the Bank.</p> <p>You are interested to know your rights as a borrower! Are you not interested to know your duties?!</p>
<p>166 Yes sir, please tell me what are my duties as a borrower?</p>	<p>When Bank sanctions a loan to a borrower based on his application, the borrower enters into an agreement with the bank and executes the documents. The agreement and the schedule clearly list the terms and conditions of the loan and also outline the duties of the borrower, having executed the agreement and documents. Your duties, as a borrower, broadly include:</p> <p>i) to fully abide by the terms of condition as set out.</p> <p>ii) to pay all fees, charges, costs, and other expenses as mentioned in the</p>

	<p>agreement.</p> <p>iii) to repay the loan and interest as per agreement and without any default.</p> <p>iv) to utilize properly the loan amount for the purpose for which the loan has been obtained and there should not be any misuse.</p> <p>v) to give all the information about the financial details and security position in a faithful manner and shall not in any manner misrepresent the facts to the Bank, etc.</p>
<p>167 Can I get copies of documents executed by me from the bank?</p>	<p>Yes, you can get copies of all the documents executed while availing the facility. Banks have committed to supply authenticated copies of all the loan documents executed by a customer at its cost along with a copy each of all enclosures quoted in the loan document.</p>
<p>168 I have paid off all the dues under my housing loan to the bank and the account is closed. I want to get back the original title deeds that I gave to the bank while availing the loan. When can I get back my title deeds back from the bank?</p>	<p>You have paid off the account fully and no dues are payable to the bank at present. You can get back your original documents given to the bank while availing the housing loan. Banks have committed that they will return all the securities / documents/title deeds to mortgaged property within 15 days of the repayment of all dues agreed to or contracted.</p> <p>If any right to set off is to be exercised for any other claim, bank will have to give due notice with full particulars about the other claims and may retain the securities/documents/title to mortgaged property till the relevant claim is settled/paid.</p> <p>In the absence of any other claim, you can approach the bank for the documents and can get back them without any difficulty.</p>

Legal matters

169


When I approached a bank for a housing loan, the bank officer is asking for several papers. He says the originals of all title deeds are to be shown to the advocate and legal opinion to be obtained. Encumbrance certificate to be obtained for 30 years. Possession certificate is to be produced and plan and approval is required. Valuation report to be obtained. I am really fed up. How many papers? It often appears to me that it is better to drop my plan to avail a housing loan. Can you please explain about the various papers called for by the bank officer? I have no idea. What is legal opinion?


You need not be disappointed. All these papers are needed by the bank and can be produced also. Only thing is that you have to take little efforts. Your bank will also help you. Now I will tell you what legal opinion is.

When a bank accepts a particular property as security, the bank is to be satisfied that the person who mortgages the property has clear ownership and he can mortgage the property. The Bank can get a proper title only if the borrower /mortgagor himself has a clear title to the property that is being mortgaged.

The banker would take the service of its advocate and obtain his opinion regarding the title of the property. The bank's advocate examines the title deeds and other documents and submits his report to the Bank on the property, he will see inter alia, whether the property is encumbered. By verifying the encumbrance certificate he will ensure that the property is not encumbered as on date.

When buying a house or an apartment or land, it is very necessary to confirm that the property does not have any encumbrance or legal dues. The prospective buyer also must ensure that the property he intends to purchase has a clear and marketable title. The encumbrance certificate certifies that the property is not mortgaged to any one and has no legal dues.

170 Who can give legal opinion?	<p>Legal Opinion is being obtained by banks/other financial institutions from advocates. All banks have empanelled advocates. Between the Bank and the approved advocate there is a charter for approved charges and the advocate shall charge the Bank as per the charter. Whenever Bank wants a legal opinion they write to the advocate in the approved list and the legal opinion is obtained from him.</p>
171 What is encumbrance certificate? 	<p>The “Encumbrance” means the charges or liabilities created on a particular property, whereby it is held as a security for any debt of its owner which has not been discharged as on date. When buying a house or an apartment or land, it is very necessary to confirm that the land or property does not have any encumbrance or legal dues. The prospective buyer must ensure that the property he intends to purchase has a clear and marketable title. The encumbrance certificate certifies that the property is not mortgaged to any one and has no legal dues. Encumbrance certificate will help to confirm that the title of the property is clear and marketable.</p>
172 What is the importance of Encumbrance certificate (EC)?	<p>EC is necessary for property buying, applying for home loan or Loan against Property. Banks and other Government Authorities insist for 30 years of encumbrance to be checked/verified. In case of any more doubts, a Possession Certificate of the ownership of the particular land may also be verified. The encumbrance certificate contains all the transactions registered relating to a particular property for a period (as required). This helps to find if the property is clear and has not been previously sold etc.</p>

<p>173 From where can we get the Encumbrance certificate?</p>	<p>An Encumbrance Certificate (EC) on a property is available from the sub registrar office, where the deed has been registered. For obtaining the EC, an application needs to be submitted to the concerned sub-registrar's office under which the property falls. Nominal charge is to be paid along with the application and the EC would be issued in the normal course.</p>
<p>174 What is an equitable mortgage?</p> 	<p>An equitable mortgage is a mortgage by deposit of title deeds of the property in any of the notified towns. The mortgagor delivers to the bank (creditor) the documents of title to immovable property, with intent to create a security thereon. This is called mortgage by deposit of title deeds or equitable mortgage. The essential requisites for an equitable mortgage are:-</p> <ul style="list-style-type: none"> i) existence of a loan or debt ii) deposit of title deeds; and iii) an intention that the title deeds shall be security for the debt. <p>This type of mortgage is more popular in banks and it is more convenient to both the mortgagor and banker as well. In many States, the Equitable Mortgage is free of stamp duty while in some states it is subject to stamp duty.</p>
<p>175 My neighbour's banker has asked to create Registered Mortgage on an ancestral property given as collateral security in a loan. What is a Registered Mortgage? How does it differ from that of an Equitable Mortgage?</p>	<p>Banks insist for creation of Registered Mortgage where mortgage papers are not perfect or not available or the loan value is very high. The mortgage is required to be registered with concerned Sub-Registrar/Registrar of Assurance by paying applicable stamp duty and registration charges. For registered mortgage, mortgage deed is to be prepared first and the same is to be witnessed by two witnesses. Equitable mortgage, on the other hand, is a deposit of title deed with the bank and it need not be registered. However, under both the mortgages banks have the same rights.</p>

176 What is a valuation report?	<p>Bank finances for various activities and different assets are taken as security. These include, Building or flat, Industrial shed / machinery or vehicle etc. Bank need to know the value of asset taken as security, so that the financing is done in a fair manner. Often, ascertaining the value of assets is not that easy and technical issues are involved. Hence, Bank engages the services of a valuer / assessor who is a technically competent to do the job.</p> <p>Bank has a panel of valuers / assessors who are selected on the basis of their qualification and expertise in the matter. His report to the bank after inspection of the security indicates the market value of the asset in the existing condition. This is called valuation report.</p>
177 What is a partnership firm?	<p>The partnership firm is one in which the partners are minimum 2 and maximum 20. Each of these partners is the co-owner of the enterprise. The relationship is usually governed by an official written document known as partnership deed. It is a legal business entity owned by all the partners who jointly own the assets/liabilities. The partners shall have a contractual relationship.</p>
178 What are the advantages and disadvantages of a Partnership firm?	<p>Partnership firms are simple and economical to form and operate. Since the number of partners is more, the capacity to handle more complex business is better when compared to proprietary firms. The retirement or death of a partner leads to dissolution of the partnership firm. Decision making to improve the capacity of business or to raise funds is limited and time taking. Partnership firm is an unlimited liability organization. In case of losses, all the partners are liable to clear off the debts.</p>

179

What are the licenses that I have to obtain if I want to start a small unit, say, a bakery unit?

Before setting up a bakery unit, you may analyse the viability of the unit taking into account the location, size of the unit, other similar units in existence, population, style/nature of the people, cost involved, etc. Once you satisfy the viability, you may proceed for getting certain statutory licences/permissions from the Municipal and local authorities such as:-

- i) Municipal / Local authorities (Food department, Pollution control department, Shops & Establishment department, Forest department, etc)
- ii) Police Department (?)

180

Who is a co-borrower?



A co-borrower is a person who takes the loan along with the first borrower. He is thus a joint borrower along with the primary borrower. A co-borrower is also required to execute along with the primary borrower all the documents and accepts the responsibility for repaying a debt. Sometimes, he may not directly benefit from the loan.

A bank may ask for a Co-borrower when the primary borrower does not meet all the eligibility requirements for a loan. Possibly there could be insufficient income/ repayment capacity or status etc. In case of Home Loan, to meet the eligibility of income criteria, the spouse, who also has a regular income, is taken as a co-borrower. In the case of Home Loan of an NRI, his close relative who is a resident Indian could be taken as a co-borrower. Legally, both the co-borrowers accept the responsibility of repayment.

Hence, before agreeing to become a co-borrower, the status of the co-borrower on legal angle may be understood clearly.

Remittances

181

I approached a bank for a demand draft of Rs.10,000/- for paying my relative at Bangalore. The officer of the bank told me that instead of DD, I can send the amount by NEFT. What is NEFT?

Your bank officer has rightly advised you. NEFT is known as National Electronic Funds Transfer. It is a nation-wide payment system facilitating funds transfer between 2 account holders. Under this Scheme, individuals or business concerns can electronically transfer funds from any bank branch to any individual or business concerns having an account with any other bank branch in the country participating in the scheme. As per this system each bank branch is allotted a unique identification number (consisting 11 digit numbers) which is called Indian Financial System Code (IFSC). For being part of the NEFT funds transfer network, a bank branch has to be NEFT-enabled. IFSC of the branch is printed on cheques issued to the customers. For net banking customers many banks have enabled online search / pop-up of the IFSC of the destination bank branch.

You have to give the name of your relative (as appearing in the bank account), his account number, bank name, and the branch name to where the money is to be sent. Your money will be reaching within 24 hours maximum. You need not purchase a DD and take the pain of sending it by post or courier.

The bank will charge some commission/fee. You have to issue a cheque for the amount to be remitted and the commission.

<p>182 Whether the NEFT system is centre specific or has any geographical restriction?</p>	<p>No. There is no restriction of any geographical area within the country. The NEFT system takes advantage of the core banking system in banks. While, the settlement of funds between originating and receiving banks takes place centrally at Mumbai, the branches participating in NEFT can be located anywhere across the length and breadth of the country.</p>
<p>183 Is it costly to transfer funds through NEFT?</p>	<p>No, For remitting the funds through NEFT at originating bank branches – charges applicable for the remitter are as under-</p> <ul style="list-style-type: none"> a) For transactions up to Rs 10,000: Not exceeding Rs 2.50 (+ Service Tax) b) For transactions above Rs 10,000 up to Rs 1 lakh: Not exceeding Rs 5 (+ Service Tax) c) for Rs. 1 Lakh and upto to Rs. 2 Lakh: Not exceeding Rs. 15/- plus Service Tax d) Above Rs. 2 Lakh: Not exceeding Rs. 25/- plus Service Tax e) Inward transactions at destination bank branches (for credit to beneficiary accounts): it is Free, no charges are levied on beneficiaries <p>It may be seen from the above charges that transfer of funds under the NEFT system is very cheap. NEFT is speedier and risk free.</p>
<p>184 My neighbour wants to spend about Rs. 3.00 Lakh for his daughter's marriage to be held at New Delhi where his son also is working. His son is having bank account there. Bank Manager has advised my neighbour to send the money from his account by RTGS to his son's account at New Delhi for the purpose instead of carrying hard cash. What is RTGS? Is it convenient for</p>	<p>Carrying cash is risky. RTGS stands for Real Time Gross Settlement for transfer of funds at nominal charge. Under this mode, funds can be transferred individually on an order by order basis through Reserve Bank of India. The payments are final and irrevocable. Transfer of funds under RTGS is speedier and safer and it would be credited to his son's account on the same day of transfer.</p> <p>The RTGS system is primarily meant for</p>

such transfers?	large value transactions. The minimum amount to be remitted through RTGS is Rs. 2 Lakh. There is no upper ceiling for RTGS transactions. Your neighbour can transfer even larger amount, if he desires so.
185 Is there any difference between NEFT and RTGS?	<p>Under the National Electronic Fund Transfer (NEFT) system, the transfer of funds takes place on deferred net settlement basis in batches. Under this system, the settlement takes place with all transactions received upto a cut off time with netting of payable and receivables. Hence, credit may be received on the same day or next day.</p> <p>In RTGS, the transactions are settled individually and instantaneous. Transfer of funds under RTGS, credit will be received within 1 to 2 hours normally. Hence, for larger amounts, RTGS is more convenient. Both the systems, charges are nominal and regulated by RBI.</p>
186 The Bank Manager has asked my neighbour to provide the IFSC number of his son's bank at New Delhi. What is IFSC?	<p>The full form of IFSC is Indian Financial System Code. This is an alpha-numeric code (a code of letters and numbers) for identification of the bank-branch participating in the NEFT/RTGS system.</p> <p>This is an 11 digit code with the first 4 alpha characters representing the bank, and the last 6 characters representing the branch. The 5th character is 0 (zero). IFSC is used to identify the originating / destination banks / branches and also to route the messages appropriately to the concerned banks / branches.</p>
187 I was told that ATM card PIN should be secretly maintained. What is PIN?	PIN is short form of Personal Identification Number. PIN is a secret number password provided to the ATM card holder. It is used for authentication of the user by ATM system. A PIN is a series of digits used to verify the identity



of the holder of a card. It is a kind of password. While authorizing a transaction at ATM we use a number and the entry gets cleared only when you use this number. PIN allotted by the issuing bank to the card holder. It should be changed to maintain secrecy. Your PIN should be known only to you and you should be able to remember the same.


188 Is PIN the same as PAN?

PAN is the short form of Permanent Account Number. It is a ten-digit alphanumeric number, issued by the Income Tax Department which issues a laminated card carrying the PAN. PAN is required to be quoted in Income Tax Returns. It is also required to quote the PAN in all correspondence with any income tax authority and challans for any payments due to Income Tax Department. It is a permanent card and will not change with change of address of the assessee or change of Income Tax Assessing Officer. PAN card serves as an identification card for opening a bank account

189 Is it compulsory to quote PAN in all documents?

Permanent Account Number (PAN) is to identify the person on whose account the financial transaction has been emanated. It is, therefore, compulsory to quote PAN in all documents pertaining to financial transactions notified from time-to-time by the Central Board of Direct Taxes. Some such transactions are sale and purchase of immovable property or motor vehicle or payments to hotels for bills or payments in cash, of amounts exceeding Rs. 25,000/-, in connection with travel to any foreign country. Giving proper PAN details would minimize/avoid future query from the tax authorities relating to the transaction.
It is also necessary to mention PAN number
i. for obtaining a telephone or

	<p>cellular telephone connection.</p> <p>ii. for making a time deposit exceeding Rs. 50,000/- with a bank or Post Office or depositing cash of Rs. 50,000/- or more in a bank.</p> <p>iii. In Income Tax return.</p> <p>However, persons having only agricultural income are not required to obtain or quote PAN number. Such persons will file a declaration (Form 61) in respect of transactions where otherwise quoting of PAN is necessary.</p>
<p>190 Can I cancel a DD purchased from a bank?</p>	<p>Yes, you can cancel the DD that you have purchased. You have to give a written request to the bank along with the original DD. The bank shall charge a nominal amount for the DD cancellation. It is important to note that DD can be cancelled only when the original DD is surrendered with the written request.</p>
<p>191 Can I stop the payment of a DD purchased by me?</p>	<p>No, you cannot do that. Unlike in the case of a cheque, the DD is issued by the bank for the full value received. Hence, a bank cannot act on your instruction to stop the DD.</p>
<p>192 The DD purchased by me has been lost. Can I get a duplicate DD? What are the procedures?</p>	<p>Yes, you will get a duplicate DD. For this you have to inform the bank in writing about the loss of the DD and request for a duplicate DD. The bank will ascertain from its drawee branch (branch where the DD was to be paid) whether the said DD is still outstanding in their books. Now-a-days all these can be verified in the branch itself as the banks are having core banking solution system. The bank will charge a specific amount for issuing duplicate DD.</p>
<p>193 My dad has got a credit card but has never used it. Now he is sick and is in ICU. We got a message in the cell phone that Rs.30,000/- has been utilized by using the credit card,</p>	<p>Such things happen very rarely. What you have to do is to inform your credit-card provider/bank immediately about the unauthorized use of your dad's credit card from an online transaction. Many banks have toll-free numbers and 24-hour service for emergencies. Bank</p>

<p>whereas the card is in our possession. PIN was not known to anyone. Bank is not reversing the entry. What is the course of action left for me (my father)?</p>	<p>will revert to you after conducting internal verification.</p> <p>If the response of the bank is not in your favour and the bank is not reversing the transaction, your dad may have to file a complaint with cyber crime cell/ cyber police stations. Take up the matter with Bank's Nodal Officer enclosing copies of FIR for further investigation and resolution of the complaint.</p>
<p>194 My friend is having a Savings Bank account with the bank. The Manager of the bank has offered him an ATM card. What is an ATM card? What facilities are available by taking the card?</p> 	<p>An ATM cum Debit Card is an electronic card which allows the holder to withdraw cash from Automated Teller Machine (ATM) and also enables him to pay at the shops for purchase goods. These Cards are mostly issued in collaboration either with VISA, MASTER Card or RuPay.</p> <p>A card holder of an ATM cum Debit Card can use the card for various transactions such as:-</p> <ul style="list-style-type: none"> • Deposit of money • Withdrawal of cash • Obtaining account information • Mini/short account statement • Loan account enquiry, etc. <p>This removes the need for going to the bank for withdrawing cash as it is done now. Just go to an ATM or pay electronically at merchant locations for purchases.</p> <p>ATM can be used any time and as such helps in easy withdrawal of money. There is no need to go to the branch within the banking hours.</p>
<p>195 What is an ATM ? What are the different types of cards being issued by banks to their customers?</p>	<p>Automated Teller Machine (ATM) is a computerized machine. It provides the card holders of banks the facility of accessing their account for deposit of cash and cheques and withdrawal of cash and to carry out other financial and</p>



non-financial transactions without the need to actually visit their bank branch.

There are three different types of cards issued by banks. The ATM debit cards, credit cards and prepaid cards . These cards can be used at any ATM of any bank.

196 How one can carry out a transaction in an ATM? Is there any minimum and maximum cash withdrawal limit per day?



Carrying out ATM transaction is simple. Let us explain both deposit of money and withdrawal of cash.

A. Deposit of cash/cheque

- a) Fill out the deposit slip for cash first, followed by cheques in the space provided.
- b) Sign on the back of the cheque/s with the name as it is written on the front of the cheque/s and write the account number.
- c) Add up the amounts depositing and write on the envelope and seal it.
- d) Enter ATM card into the ATM machine and enter PIN. Then press Enter to make sure the correct PIN.
- e) Select Transaction and Enter the amount deposited and confirm it.
- f) Insert the envelope into the deposit slot when the machine opens it.
- g) Machine will print a receipt for the depositor

B. Withdrawal of money

- a) Enter PIN and then press Enter. Make sure that the PIN is correct.
- b)
- a) Select or Enter the amount to be withdrawn.Wait while the system processes the transaction(s).

- b) Take out the cash when the door

	<p>opens.</p> <p>c) When the machine beeps, take out the card and receipt (if applicable). Always make sure that both cash and cards are taken.</p> <p>PIN is the numeric password which is separately mailed / handed over to the customer by the bank while issuing the card. Most banks require the customers to change the PIN on the first use.</p> <p>Yes, broadly the withdrawal limits both minimum and maximum are set by the card issuing bank and the same is displayed at the respective ATM locations.</p>
<p>197 Can these cards be used at any bank ATM in the country? Is there any charge for the same?</p>	<p>Yes. The cards issued by banks in India may be used at any bank's ATM within India. However:-</p> <p>a) The savings bank account holders can transact a maximum of five transactions free at other bank ATMs in a month.</p> <p>b) These transactions are inclusive of cash withdrawals and purchases.</p> <p>c) Card issuing bank would charge the customer, if the number of transactions exceeds five during a month.</p>
<p>198 The ATM card transactions appear to be risky. In case the card is stolen or lost, the same can be misused by the someone and we may end up in loss. What is the procedure to avoid such misuse by the miscreants? In case the PIN is forgotten how the card can be used? For an aged card holder, is it advisable to note down the PIN in a diary or elsewhere or pass on the PIN to his children or other family members?</p>	<p>ATM card transactions are not as risky as you think. The cards are for the convenience only. Normal care is required to be taken while using the cards.</p> <p>a) In case the card is stolen or lost, report the loss or theft of the card to the card issuing bank as quickly as possible. Many banks are having toll-free numbers and 24 hour service for such emergencies.</p> <p>b) Alternatively, the card holders can go to the card issuing bank and report the loss of the card. The bank will immediately block the card for further</p>

	<p>use.</p> <p>c) Once the loss is reported, the card holder cannot be held liable for any unauthorized use/transfers that occur after that time</p> <p>d) In case the card is not traceable even after thorough search, the card holder can request the bank to issue a fresh card for use. Bank would consider such requests.</p> <p>e) In case the card holder forgets PIN or if the card is sucked in by the ATM, he/she may contact the card issuing bank and apply for a new PIN or retrieval/issuance of a new card.</p> <p>f) Please never write your PIN on your card or in diary or in your wallet or purse.</p> <p>g) It is not at all advisable to give your PIN to your children or a friend or relative even if you do it as a gesture of trust and friendship. These may lead to misuse of the card.</p> <p>h) Nowadays ATM cards come with special features and cannot be operated at shops unless PIN is used. Be careful about how you set your PIN and how you keep the PIN safe and not known to others.</p>
<h1>199</h1> <p>One of my friends has issued a cheque in favour of supplier. Due to certain defects in the item, he decided to return the piece and requested the bank to “stop Payment” of the cheque. The bank has charged Rs. 250/- towards registering the instruction. He got annoyed on the bank’s action in debiting the amount. Is there any charge for accepting the “Stop Payment” instruction in other banks? If so what is the normal charge?</p>	<p>You stopped the payment to save your losses. Given this, to expect the bank to do it free of cost is not appropriate. It may be remembered that by accepting your “Stop Payment” instruction, bank is taking a risk. In case the cheque is paid through oversight or otherwise, the bank is required to make good the amount, if claimed by the account holder. Risk is to be compensated and almost all the banks charge in similar cases. The charges recovered by your bank may be as per their standard rates which you can check by asking for their published service charges brochure.</p>

	It may further be remembered that making a payment with a cheque and then changing the mind can be an expensive proposition.
200 I have deposited a cheque for Rs. 5000/- received from a company in my Savings Bank account. The cheque was returned by the bank as there was insufficient balance in the account of the drawer of the cheque. The bank had also charged Rs. 200/- toward "Cheque Return Charges" for no fault of mine. Why the bank is charging me for not maintaining adequate balance by the drawer of the cheque? Is it common in all banks?	<p>The charge debited by the bank is for the operational expenses in connection with the collection efforts of your cheque. Fees for depositing a cheque that return on financial reasons is high. The charges vary from bank to bank and Rs. 200/- charged may be as per your bank's standard rate.</p>
201 My father-in-Law is maintaining a well conducted Savings Bank account with the bank. The bank officials visited him recently and offered, among others, Credit Card. What is a Credit Card?	<div data-bbox="481 1077 766 1254" data-label="Image"> </div> <p>Credit Card is a plastic card usually issued to important clients with a credit limit. The card holder can use the credit limit for purchase of goods and services on credit. The Credit Card can also be used to obtain cash advances.</p> <p>Credit card purchases normally become payable after a free credit period. No interest or finance charges are payable for the free credit period. Interest is payable on the unpaid balance after the payment is due.</p> <p>The card holders have the option of paying any amount as long as it is higher than the minimum amount due and carrying forward the balance.</p> <p>Please note that the interest and other charges on overdue amount is quite high.</p>
202 Is there any difference	<p>Both the Debit Card and Credit Card offer convenience to the card holders. There are some differences between</p>

between Debit Card & Credit Card? Are they same only difference in name?

debit card and credit card as under:-

- a) The main difference between a Debit Card and a Credit Card is when the cards take the money against uses.
- b) A debit card takes the money from the card holder's banking account directly on purchases.
- c) In case of credit card it charges amount to a line of credit.
- d) Debit card works under "Buy now Pay now" concept and credit card "Buy now Pay later".
- e) The purchases made by using a debit card cannot exceed the amount of money the card holder has in his bank account. Purchases under credit card create a credit (upto approved limited) and payable at a later date.

Banks issue credit cards only to select customers who are having satisfactory credentials.

203

We understand that some banks have opened some centres named Counseling Centres for resolving banking and financial related matters of farmers and rural people. What is the counseling centre?



What are their functions? Why such centre is not yet started in our area?

Yes, your information is correct. Reserve Bank of India (RBI), in order to provide free financial literacy/ education and credit counseling among the people in rural and urban areas, directed the Lead Banks to set up Financial Literacy Centres (FLC) at the Lead District Manager's Office at each district. The main functions of these FLCs are:-

- a) To provide financial counseling services
- b) To educate the people on various financial products and services available from formal financial sector
- c) To make people aware of the advantages of being connected with formal financial sector
- d) Promotion of financial literacy, etc.

The FLCs will provide financial literacy in the form of simple messages like why save, why save early in your life, why

	<p>save with banks, why borrow from banks, why borrow for income generating activities, why repay in time, why save for your retirement, etc. This would induce the people concerned to start savings habits in banks and responsible borrowing for their credit requirements instead of depending on the local money lenders and middle men. Effective counseling results in the concerned person getting confidence in taking informed financial decision.</p> <p>You may enquire at your Lead Bank Manager's office for further details on the centres.</p>
<p>204 Why these centres are being opened in District level and not in rural or village levels where many people are unaware of all these services?</p>	<p>It is true that in rural areas majority of the financially excluded people reside. Presently all FLCs are located in urban and semi urban areas and FLCs are not functioning in rural areas. Considering the necessity, banks have been advised to set up FLCs in other centres also based on the need.</p> <p>Rural branches of major commercial banks and Regional Rural Banks have also started providing financial literacy activities. FLCs may be set up in rural areas also in near future.</p>
<p>205 My neighbour is a state govt. employee working in town. He is retiring from service shortly. He is eligible for pension. Can he avail the pension drawals from the nearby bank where he is having an account? Any facilities are available with the banks for pensioners?</p>	<p>Yes, Government banks are authorized to handle pension payments of pensioners. You may advise your neighbour to:-</p> <ol style="list-style-type: none"> Consult the Branch Manager for guidance Open a Pension account at the branch Get the Pension Scroll and other related papers transferred to the branch <p>Upon completion of the formalities the bank will collect the pension from the</p>

	<p>authority concerned and make available the same at the branch.</p> <p>Some banks provide Personal Loans to Pensioners for various purposes against the pension being credited in the account. Banks will also allow the account to overdraw in case of delay in receipt of the pension occasionally.</p>
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