



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

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BCOM SEM – 3 BUSINESS MANAGEMENT

INDEX

| Sr. No. | Unit Name |
|---------|---|
| 1 | INTRODUCTION TO OFFICE AND OFFICE MANAGEMENT |
| 2 | FILING AND INDEXING |
| 3 | MODERN OFFICE EQUIPMENT AND OFFICE AUTOMATION |
| 4 | BANKING FACILITY |



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Unit – 1

Introduction to office and Office Management

What is Office?

A location, usually a building or portion of a building, where a company conducts its business. A company can have just one office, known as its home office, or a main office and a variety of field offices or branch offices. All of these offices are involved in some way in the business of the company.

Office Activities

Each office has a personality of its own. This personality is a reflection of the purpose for which an office exists. The manufacturing office will have a profile that differs from that of a sales office. The accounting office will have a different orientation from that of a research and development office.” In organizing a new office the office manager must first determine the prime reason existence of that office and then add the necessary ingredients to bring about an efficient operation entity that achieves pre- determined results.

Although offices differ from one another in prime responsibility, many activities are commonly carried out by all the offices. Some of these activities are:

- (i) Processing Incoming mail.
- (ii) Processing Outgoing mail.
- (iii) Dictation.
- (iv) Transcription.
- (v) Typing.
- (vi) Printing.
- (vii) Copying.
- (viii) Filing.
- (ix) Records Retrieval.
- (x) Records Disposal; and
- (xi) Communication.

Office Functions

The functions of a modern office may be classified into two categories:

1. Basic functions (or) routine functions,



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2. Administrative management functions.

1. Basic functions (or) routing functions

(a) Receive and collecting information

About the activities of the organization the source may be.

(a) Internal sources: ex. different departments, sections, etc.

(b) External sources: Govt. departments, financial Institutions, universities, general public etc.

(b) Recorded of collected information

In a suitable form, this recorded information is needed for preparing future Policies, and taking decisions.

(c) Arranging (or) Processing of Information

In all the information received cannot be used in the same form. Office has to convert it in form of notes, reports, diagrams, graphs etc, and showing different aspects of business.

(d) Communication of recorded and arranged information promptly.

Office has to supply the information to different departments and outside bodies who are related in some way or the other Ex. Planning is to be done for which future information and projections are to be made on the bias of part information which has to be supplied by the office in the most suitable form.

2. Administrative Management Functions

A part from the basic functions of an office, there are certain administrative management functions which have to be performed for a smooth functioning of the office. These functions are outlined below:

(i) Management Functions :

(a) Planning.(b) Organising.(c) Staffing.(d) Directing.(e) Communicating.(f) Controlling. (g) Co-ordinating and(h) Motivating.

Office work has to be properly planned, and then organized and executed according to the plan.

(ii) **Public Relations Functions** : An office has not only maintains relations with the other departments, it also needs to maintain a good relations with the outside world the public. Maintaining good relations with the company increases the reputation and good will of the company.

(iii) **Retention of the Records** : Office Records includes correspondence, letters, invoices, orders, financial and cost records, minutes etc. These records have to be retained for future reference.



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(iv) **Safeguarding Assets** : It is the function of the office to safeguard the assets of the organisation, which may be fixed assets like buildings, plants, Machinery, office equipment, lighting and air conditioning equipment, movable assets like furniture, office machinery, or the cash, title deeds, records and documents etc.

(v) **Controlling Office costs** : With the adoption of scientific method for office management, a modern office is further supposed to discharge the function of Controlling office costs This may be done by:

- 1) Mechanization of the office.
- 2) Adopting time and labour saving devices in the office.
- 3) Using better forms.
- 4) Analyzing the existing office routines and adopting improved ones.

Meaning of Office Management

Office management refers to the process of planning, organizing, guiding, communicating, directing, coordinating and controlling the activities of a group of people who are working to achieve business objectives efficiently and economically.

Office management is not only necessary to business organization but also essential to non-business organization. In modern internet society also, there is a need of direction to the individual efforts towards common purpose or objective. The direction is given from a place i.e. office.

The process can be treated as office management. A business is carried on by businessman with the help of group of persons. This group of persons has different interest, talent and motto. So, it is the function of office management to organize, guide and control the activities of such group of persons to achieve business objectives.

Definition of Office Management:

Office management can be defined as the art of guiding, directing coordinating and controlling the salaried people of an organization in order to achieve specified objective within a time schedule.



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“Office management, as a function, is that branch of the art and science of management which is concerned with efficient performance of office work whenever and wherever that work is to be done.” — William Lf. Leffingwell and Edwin M. Rot.

“Office management is manipulation and control of men, methods, machine and material to achieve the best possible results—results of highest possible quality with the expenditure of least possible effect and expense, in the shortest practicable time, and in a manner acceptable to the top management.” — Harry H. Wylie.

This definition stresses the utilization of resources of business like material, methods etc. to achieve the objectives and results in a best and cheapest way and in a minimum possible time.

“Office management is the art of guiding the personnel of the office in the use of means appropriate to its environment in order to achieve its specified purpose.”— Mills and Standinhford.

Elements of Office Management

Elements of office management are termed as pillars of a building. If pillar is strong, certainly, the building is also strong. Hence, efficient functioning of office management is based on the elements of office management. Following are the essential elements of office management.

1. Personnel

Office personnel are actually performing the office work. Generally, the selection and placement of office personnel is carried on by the office manager in small organization. In large organization, staffing is carried on by the human resource management department.

In both the case, the office work is to be performed by allocating the work to each individual according to their efficiency, guide the personnel to do the work with the help of means available in an office within a specified time and control the activities of office personnel. The office manager has to do all these activities.



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2. Means

Means refers to tools used to perform the office work. Means include pen, pencil, eraser, paper, ink, office forms, typewriter, computer, printer, calculator and the like. Adequate tools have been supplied in an office and put them to the most efficient and economical use for achieving objectives.

3. Environment

The nature of business determines the environment of an office. The various office works have to be carried on under a particular condition or environment. A working environment is created and maintained for the smooth performance of office work. It is the duty and responsibility of an office manager to bring suitable environment by adopting various procedures and practice.

4. Purpose

The office personnel must be aware of the purpose for which a particular work is carried on and the impact of such work on others' performance. The office manager teaches the purpose to office personal. If not so, the performance of office work does not bring the most efficient and economical use of office resources and achieve the objectives.

What are the aim of office management?

The aim of office management is to ensure that an office runs to maximum efficiency which will ensure greatest profitability. By having a system that lists and monitors all of the office resources in terms of material assets and personnel, a plan can be put together to make the best use of resources.

Having a clearly defined purpose for the office is essential with everything else falling in place to reach that goal. By identifying and working towards that goal, maximum efficiency throughout the office can be planned. Ensuring that all resources are monitored and maximized allows the goals can be reached.

Identifying the critical areas of an office function and ensuring its protection are essential. Building in contingency plans to highlight in advance areas of concern and shortages



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will help to ensure the smooth running of the operation. Working around these needs, identifying areas of weakness and providing full support and alternative options will allow the office to run close to full efficiency.

Importance of Office Management:The following points highlight the importance of office management:

(i) Helps in Achievement of Targets:

Targets or goals are results in quantitative terms which are to be achieved in a given time. Management makes people realize the goals and directs their efforts towards the achievement of these goals.

(ii) Optimum Use of Resources:

Management helps in utilization of resources effectively. Scarce resources are put to use optimistically by managers. Managers bring about coordination and integration of various resources. It is management which guides the personnel in office in the use of resources.

(iii) Minimization of Costs:

Office costs can only be reduced under the guidance and control of efficient management. Office Management is concerned with doing the office activities in a best and cheapest way. Cost reduction is one of the objects of management which can be achieved through work simplification and mechanization. Through better planning, sound organization and effective control, management enables a concern to reduce costs and prepare an enterprise to face cut throat competition.

(iv) Smooth Flow of Work:

Uninterrupted flow of work is only possible if there is proper planning and control. Management ensures efficient and smooth flow of work.

(v) Helps in Maintaining Office Efficiency:

Management helps in maintaining efficiency in an office. A manager not only performs and produces results, but also does it in the most efficient manner so as to contribute towards profit generation.



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(vi) Managing Survival and Growth:

Management has to play an important role in keeping the organization alive. Change in technology and methods must be anticipated and adapted for survival and growth. It is only management which can do so and moulds the enterprise in such a changing environment.

(vii) Provides Innovation:

Innovation is finding new, different and better method of doing existing work. To plan and manage innovation, management has to play an important role. Suggestions from customers, information from salesmen, close watch on competitor's activities provide source of innovation.

(viii) Helps in Retaining Talent and Inculcating Sense of Loyalty in Office Staff: Efficient management helps in retaining talented and hard working employees by providing them comfortable work environment. Manager must motivate his employees by recognizing and appreciating their talents.

(ix) Provides Leadership:

Management provides leadership by influencing and guiding office personnel. Managers influence his subordinates to work willingly for achieving organizational goals.

(x) Managing Change:

Importance of office management is that it helps in planning the change and introducing it at the right time and in the right manner. Due to change in technology methods, work procedures etc. have to be changed for efficiency and economy. People resist change due to lack of understanding the reasons for change and lack of training in new methods. Management helps in minimizing resistance of people and acts as a change-agent.

(xi) Maintaining Public Relations:

Office management helps in improving public relations and increasing goodwill of an enterprise by dealing with grievances of consumers and general public.

(xii) Social Benefits:

Management is beneficial not only to the business enterprises but to the various segments of society also. It provides and maintains link with various types of suppliers, banks, insurance



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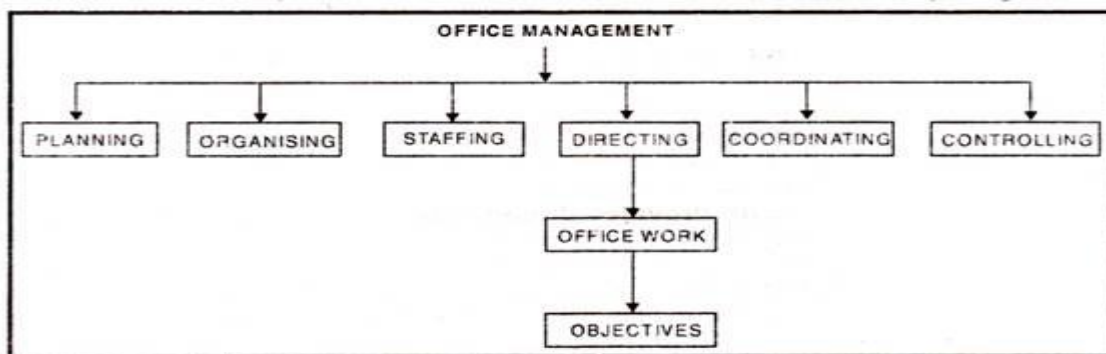
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companies, government departments, and general public. It benefits society as a whole by providing its services.

(xiii) **Facilitates Coordination and Control of Various Office Functions:** Office management helps in harmonizing all the office activities. It facilitates control by influencing behaviour of events to ensure their conformity to plan.



Brief note on office organization

Introduction to Office Organization

As size of the office is either small or large, it becomes necessary to organize the works or activities in order to achieve the specified objective effectively with minimum cost. Hence, the entire activities of the concern should be divided into many operations or functions (called departments). A proper arrangement of an organization along with office appliances will facilitate a speedy performance of office work. In this way, office organization is based on the organized routine and procedures and continuous flow of work.

Meaning of Office Organization

Office organization is a process of defining and grouping of office activities into main heads of functions, select suitable personnel, assign jobs to them and delegate authority to them for performing the jobs, coordinate the activities of different individuals and provide necessary facilities like forms, stationery, equipment, machines and suitable working environment to enable the persons to perform their work efficiently.



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Definition of Office Organization

Office organization is defined as a process of defining and grouping the office activities and establishing the authority relationship among the employees who are working in an office so that they can be executed assigned activities effectively and economically.

Characteristics of Office Organization

The characteristics of an office organization are listed below:

1. Fixing of responsibility on each office employee.
2. Assigning of work on the basis of competency of an office employee.
3. Avoiding the delay in doing the office work.
4. Completion of work as per the predetermined system and procedure.
5. Proper and adequate delegation of authority for doing work.
6. Providing adequate supervision for each work.
7. Exercise proper control over the office employees.
8. Proper supply of necessary forms and stationery for doing the work.
9. Effective utilization of available equipment and machines in an office.
10. Creating suitable working environment.

Steps involved in Office Organization

The following steps are involved in an office organization.

1. The first step is that an identification of office activities which are to be performed in order to achieve main objectives of the business organization.
2. Such identified activities are classified for facilitate the grouping of activities.



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3. Then, all the identified activities are grouped on any one of the basis. The selection of basis is based on the nature of business organization. If the activities are grouped on functional basis, the departments or divisions are created on functional basis. For example, Production, Sales, Finance, Accounts, Personnel and the like.
4. The grouped activities are assigned to an individual or a group. Generally, production activities are assigned to production manager and production department. In this way, other grouped activities are assigned to each individual and a department. The responsibility is fixed at each level of all the departments.
5. Whenever, responsibility is fixed, there is a need of authority to perform the work. Hence, adequate authority is delegated to every manager for their respective department.
6. A proper organization structure is created in order to facilitate effective coordination of grouped activities both horizontally and vertically. Moreover, structural relationship is also clearly defined.

Office Manager | Responsibilities | Qualification | Qualities

Who is an Office Manager?

Basically, an office provides service to all the departments of an organization and to the management executives also. An office can collect, receive, record, process and communicate the information with the help of group of people. These office activities are to be organized and controlled by a responsible person who is called office manager.

Responsibilities of an office manager

An Office Manager has to perform the work efficiently and economically. He helps the management in the area of selection, training, placement and remuneration of personnel. He employs the personnel with proper means of work. He maintains proper balance among the elements of office management by keeping in mind with the requirements of the organization. The requirements of an office will vary with the size and nature of activities.

Office manager has authority and responsibility on par with other department manager. The reason is that the office manager has some staff working under him. Today, office work is a highly specialized function and requires a specialist to organize and control office activities.

An office manager is expected to play a dual role. One role is **staff executive** and another role is **line executive**. As a staff executive, an office manager performs advisory function. Some of the clerical works have to be performed in the functional departments themselves by the



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departmental employees. With regard to these activities, the office manager performs an advisory functions

An office manager has no direct command or control over the departmental employee's or their activities as a staff executive. On the other hand, total office activities of an organization can be centralized and performed more economically, efficiently and promptly. In this sphere, the office manager performs the service function and plays the role of a line executive. As a line executive, the office manager has exercised direct command and controls the activities of office employees.

The exact and extent of duty of an office manager can not be clearly defined. The duties of an office manager are very flexible and vary from one office to another. Size of the business, nature of office, authority vested with office manager and responsibility entrusted to him by the employer are the deciding factors of exact duties of an office manager.

Qualification of Office Manager

There is no hard and fast rule for qualification of office manager. Even though, an office manager should have a sound educational background. The sound educational background means proficient in English and be able to communicate effectively both writing and orally. This is minimum expectation.

Moreover, an office manager must be well aware of office organization, business administration, accounting and accountancy knowledge, nature of business and business environment. Office manager should also be well trained in office systems and procedures, office machines and equipment and data processing methods.

Qualities of an Office Manager

The qualities of an office manager are presented below.

1. The office manager must be able to plan the office work, organize the work among office staff according to their ability and aptitude, direct and motivate staff to perform the work efficiently and economically and to maintain discipline and harmony among the staff fairly and firmly.
2. A good office manager should have as wide and varied a business experience as possible.
3. Office manager must have a good command of language.



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4. He must be a model leader to his office staff.
5. He must be deal with the problems more confidently and firmly.
6. He must be a good organizer.
7. He must be able to take sound and firmly decision but there is no hasty decision.
8. He must be well aware of office work and the purpose of doing such work.
9. He must have an ability to give clear direction to others. In other words, the listener should understand what the office manager means.
10. He must be a common man to every office staff.
11. He must be a pioneer in doing the office work.
12. He must be sincere to do his duties.
13. He must understand the feelings of office staff and human nature.
14. He must present the office before the office hour and available throughout the office hour.
15. He must be able to create team spirit among office staff.
16. He should have self confidence and self control
17. He should not get angry at any cost
18. He must be constantly in touch with the new facts and methods of office work in order to increase the efficiency of office staff.
19. Most of above mentioned qualities are inherent or inborn, although some of these qualities can be acquired or improved through practice and training.

Important Functions or Role of an Office Manager

The main functions of an office manager are explained below.



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1. Staffing

An office manager is requested to recruit and select the office staff by the top management. For this purpose, he determines the number of staff required, their qualification and experience if any, decide the sources of recruitment, receiving applications, conduct the interviews and tests and finally select the right personnel.

2. Leadership

He has complete control over the work done in an office. An office manager is necessary for smooth, efficient and performance of office work economically in an organization. Being a leader of office, he is in charge of public relations and helps other departments to achieve their goals set forth.

3. Training

The need of training has been decided by office manager. Besides, the training programmes are also devised and imparted to the new recruits as well as existing staff. Orientation training programme has been provided to new staff and refresher course programme is provided to existing staff.

4. Coordination

The various activities of office staff are coordinate by the office manager. He has to bring coordination between the top management and the workers. He must please both the parties.

5. Work Measurement

An office manager devices methods of work measurement in terms of the output of the staff. It is a difficult task. The reason is that the office work cannot be measured in physical terms. Hence, it is the duty of office manager to decide the accepted norms of work measurement.

6. Motivation

The efficiency of staff is increased by providing proper motivation. The type of motivation can be decided by the office manager. The right type of motivation ensures effective and economical performance of work and lead to the promotion of the staff.

7. Discipline

The implementation of rules and regulation of office is in the hands of office manager. There should not be personal bias while implementing rules and regulations. He also attends to the grievances of office staff. In this way discipline is maintained.

8. Accounting

He has thorough knowledge on accounting. Every figure should be kept in finger tips.



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9. Stationery Control

Office manager has to exercise proper control on stationery purchase and issue. For this purpose, he has to frame clear cut procedure for the purchase, for the issue and storage of office stationery.

10. Secretarial Services

All the accounts books are kept under the custody of office manager. An officer manager is responsible to conduct meetings, drafts reports and minutes etc. on behalf of secretary. In this way, he does the functions of secretary.

11. Costing

In small organization, an office manager is responsible to maintain costing records and do the costing work.

12. Organizer

The office work has been assessed and assigned to office staff according to their knowledge, ability, experience, qualification and the like by the office manager.

13. Supervisor

An office manager is head of office. Hence, it is the duty of office manager to supervise the office correspondences, procedures, policy implementation, record maintenance, filing, indexing and the like.

There is no hard and fast rule for determining the functions of office manager. Generally, the type and size of an organization are the deciding factors of functions of office manager. The functions of office manager vary from time to time and from office to office. The office manager is expected to perform his functions within the limit of authority and responsibility entrusted to him by the employer.



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Unit 2

Filing and indexing

Purposes, Importance and Types of Filing System in Office

What is Filing?

Letters, circulations, bulletins, reports, voucher, contract, statement letters, etc. are the forms of correspondence. So, filing is the process of systematic and scientific preservation of these documents. Every organization receives and dispatches a large number of correspondences everyday. Filing is a form of record keeping.

It is the process of arranging and storing the information in a systematic and scientific way so that it can find out without any difficulty when required. All documents and information are valuable for the office works for taking decisions. Filing is considered as an important function of an office. The success and efficiency of an office depends upon presentation, safety and rapidity available of important information and documents.

In day to day business operation many documents are received, sent out and created. These documents play a very important role in business operation and for taking some decisions. So such documents should be preserved to obtain at the time of need. For that a filing system is developed in every organization.

Hence, filing is the process of systematic and scientific preservation of official document for future reference or evidence. It is putting the documents, letters etc into a file. It is a scientific and systematic process of saving important documents for future reference. Filing is the memory of any organization.

Purposes of Filing in Office and Organization:

The main purpose of filing is to preserve the important letters and documents safely. Scientific and systematic methods are applied so that any documents can be found out quickly for reference. Despite this main objective, there are some subsidiary objectives which are as follows:



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Collection and classification of documents:

This is the first objective of filing. An office receives and sends a large number of documents from internal and external sources everyday. They can be reports, vouchers, bills, contracts. So, these documents should be classified into various categories on the basis of their nature and importance.

Preservation of documents:

After the collection of data another purpose of filing is to preserve the documents for future reference. Filing provides protection to all the important documents from rats, insects, dust, water and from dishonest staff of the company as well.

Systematic arrangement of documents:

The purpose of filing is to arrange all the documents in scientific and systematic order in proper drawers, racks and cabinet, so that when it is required it can be obtained without any difficulty and delay.

Provide proof:

Several transactions take place concerning different subjects matters in an organization. Filing serves to settle misunderstanding and disputes between the business organizations and the different parties such as the government, customers, other business organization etc. Then the preserved documents can be presented as proof when ever required.

Rapidity in office work:

The objectives of good filing system is to make rapidity in official work. If the papers, documents, information and materials are properly filed, they will be easily found whenever needed, which helps in quick performance of an official work.

Provide information:

Filing provide different dates and necessary information for formulating plans, policies and taking quick and rational decision for the organization.

Provide guidance to the staff:

Filing provides proper guidance to the staff in performing their duties which increase to develop working efficiency of the staff.



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Importance of Filing in Office and Organization:

Filing is an important activity in any office. It is important for every type of office big, medium or small. It plays a very crucial role in smooth functioning of official work. The importance of filing can be highlighted from the following points:

Protection of records:

Filing protects the records by keeping it in safe cabinets and drawers so that important documents can be preserved from rats, insects, water, sunlight, dust and some time from the dishonest staff of the office as well.

Helpful in setting disputes:

Filing is important for setting disputes between the contracting parties. A document related to the agreement will be required to show the evidence. The records may be presented in a court of law in case of legislation. Nobody can deny the facts and figures given in the documents.

Ready reference: Previous records are generally needed for future reference. So, filing makes the documents immediately available at required time. The records will be made available only if they properly and systematically preserved.

Helps in planning and decision making: Formulating effective plans and taking quick, rational and correct decision in the function of management real and factual data which is available from past records. So, filing is important.

Better control: Filing system is helpful for contracting the business transactions. Modern business transactions are carried on through various documents. Several types of document are received and sent daily. If those documents are maintained under and scientific way naturally management will get great help in evaluating performance and taking corrective action.

Facilitates follow ups: Follow up action is necessary in case of securing orders, collecting payments and compliance of rules, policies etc. Filing facilitates follow up action by preserving the records.



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Centralized & Decentralized Filing | Meaning, Merits, Demerits:

The document and records concerning a particular department of the business enterprise can be filed either at the department itself or in any other central place. Thus, a business enterprise can have either a decentralized or centralized filing system. Each system has its own merits and demerits. We shall now discuss the features of the two systems, their merits and demerits.

What is a Centralized Filing System?

is one where all the filing equipment and personnel are located in a single section. In other words, under centralized system, all the records of the business firm (relating to activities of all the sections or departments) are filed in one place or in the central office.

This place is usually called as filing section. This system implies that individual departments have nothing to do with the filing of records.

Merits of Centralized Filing

Centralized filing has several points to its credit. The following are some of the benefits of centralization of filing.

1. Superior equipment and costly mechanical aids can be installed and operated efficiently and economically.
2. Experienced staff in small number is sufficient to handle the work. The skill and experience of the staff would ensure maximum benefits.
3. Staff and equipment will be utilized to the maximum whereas in a decentralized filing, their services cannot be fully utilized.
4. Supervision in a centralized system shall be usually very effective. Hence, chances for misfiling are avoided completely.
5. The individual work rate would increase, as specialist staff would become experts in their duties.
6. It is easier to cover for absent members of the staff because personnel in the section shall be familiar with each other's work.



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7. A standardized filing system can be devised and put into operation. All the staff members in the section would be well acquainted with the system.

8. Close control over works quality and the movement of documents could be exercised.

9. Duplication of equipment and copies of records would be avoided.

Disadvantages of Centralized Filing System

The possible disadvantages of centralized system include the following:

1. If the filing staff are not adequately trained and have no specialized trade knowledge, it shall lead to misfiling.
2. Since all the records are stored in one place they will become more vulnerable. Consequently, the risk of loss due to theft, fire etc. can be increased.
3. There may be delay in making files available. Since the whole work is performed by a few staff members, delay cannot be avoided. The workload will also be more.
4. Chances for misfiling will increase considerably. Misfiling will lead to unnecessary delay in tracing out the documents and they cannot be produced promptly.
5. Where records are needed frequently by departments, centralization of files will cause much inconvenience. This may also cause frequent delays.
6. Centralized filing would result in increased staff costs.
7. The central department often tends to become a repository of all unwanted and unnecessary documents of all other departments.
8. Telephone enquiries cannot always be answered immediately if records are not on hand.
9. The real needs of the user department shall become secondary to the established routines and regulations of the central filing department.
10. Certain departments may find that the system of classification of files adopted by the central library is not the best one for referring their records.



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Decentralized Filing or Departmental Filing

Under Decentralized filing system, filing is done in each individual department independently. In other words, each department makes its own arrangements for filing, install separate equipment and the department staff themselves will look after this work. Therefore, filing equipment are installed in each and every department. Hence, it is also known as department filing.

Merits of Decentralized Filing

1. This system ensures secrecy of documents and enables the individual departments to carry on their work independently and effectively.
2. This system saves time. If any document is needed, it can be made available promptly without any delay. This ensures quick action.
3. Specialized knowledge about the concerned departments will eliminate the chances for misfiling. Thus safety of papers is ensured.
4. Since the papers are located within the same department they can be obtained at any time. The staff members need not go to the central filing section and get the required file. Reference is thus easy and quicker.
5. If various departments are geographically dispersed, departmental filing alone is suitable and economical.
6. The department staff normally does the filing work themselves. Hence, additional costs for appointing specialized staff for the filing department is avoided.
7. When chances for misfiling are more in the centralized filing system, decentralized filing is the only remedy.
8. The juniors will get sufficient training. In case of emergency, they can be transferred to the central filing department.



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Demerits of Decentralized Filing

1. No standardized procedure shall be followed throughout the organization. The filing equipment will not also be standardized. Consequently, confusion will prevail in the office. The receiving clerk shall find it inconvenient in sorting out the incoming mail.
2. Additional space and equipment should be provided in each functional department. This factor will increase the cost of filing operations.
3. When a paper or document is concerned with more than one department, copies of such documents should be taken out and sent to various departments. This will result in unnecessary duplication of work.
4. Advantages of specialization are not possible in a decentralized filing system. Usually, one or two staff members in each department will look after this work besides their original work. Since it is an additional workload, they will not perform filing operations effectively.
5. There will be no uniformity in filing procedure. Each department. will adopt its own procedure, which may be totally different to that of another.
6. Departmental filing lacks supervision. Therefore, control of filing becomes a difficult process. Co-ordination will also become difficult.
7. Specialist filing staff cannot be appointed in each department due to the additional cost involved.
8. Under decentralized filing system, movement of files cannot be controlled. This in turn leads to files being mislaid and difficulty in locating files quickly.

Evaluation

From the above discussion it is clear that none of the system is free from defects. Therefore, a clear-cut choice of a filing system is very difficult to make.

The proponents of a centralized filing system claims that all office services in which filing plays an important part lends themselves to centralization. They argue that in most modern offices, mail handling and other communication services are invariably centralized and audio typists are employed. Many offices have a copy room or print room offering a centralized service for



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copying and duplicating. As such they conclude that centralization is desirable in most modern offices.

On the other hand, it should also be noted that complete centralization is neither possible nor desirable for all office situations. For documents, which are regularly needed in departments centralized filing is totally impracticable.

Therefore, a hybrid system should be adopted i.e. a centralized cum decentralized system is suitable for all offices. In such a system, records, which are frequently needed in departments, should be kept in the concerned department itself. General records, on the other hand, may be kept in the central filing system.

Distinguish between centralized and decentralized filing systems:

In centralized system, one department is given the responsibility of keeping and managing all the files in the whole organization. This department is referred to as a registry. Decentralized filing, also known as departmental filing, has each department being responsible for its own filing.

Types of Filing system in Office and Organization:

There are different types of filing system. Office has to adopt a filing system as per its needs. In broad sense filing system can be categorized into two parts:

(1) Traditional filing system:

Traditional filing systems were used at the beginning stage of office management. When the scale of business was small and numbers of documents were limited, in spite of being old they are still in practice in small business organization. Some important old filing system are discussed below:

Wire or spike filing:

It is the oldest and the cheapest methods of filing system. Under this method, a thin steel rod, about one foot long, is used from upper end to form a hook and the bottom end a wooden or plastic disk is fixed to act as stopper. All incoming are threaded in order of date. The hooked wire is usually hung on a nail fixed on the wall or is placed on the disk. It is used to keep temporary type of documents.



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Advantages:

- This method is very simple. Anyone staff of office can use it without any difficulty.
- This is a very cheap method as only wire is sufficient for filing.
- It requires minimum time and space.

Disadvantages:

- It is not suitable to big business.
- It is not attractive.
- As documents are kept open there is great chance of loss of documents.
- Letters and documents are not protected against damage by dust or water.
- Secrecy cannot be maintained.

Pigeon hole filing:

Another old method of filing is pigeon whole system. In this method, an almirah with several holes which can be seen just like pigeon holes is used for filing of letters. Each hole can be labeled with one or more alphabets or numbers as per need. Letters and records can be kept inside the hole in accordance with the alphabetical or numerical order. It can be used for daily inward mail of different departments. Under this filing system almirah with 24 compartments have been used.

Advantages:

- Pigeon hole filing is simple to understand and easy to operate.
- It is very economical.
- Paper or documents will be available quickly.
- It protects documents against dust, water and insects.

Disadvantages:

- It is not appropriate for large organization.
- Because of small space different sizes of documents cannot be saved.
- It takes time in searching the documents.
- Secrecy cannot be maintained because pigeon holes are open.



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Card Board Filing:

In this card board filing system, a thick card board is used. There will be cover paper on both sides of the cardboard. All the letters and documents will be kept inside the cardboard which will be covered by the cover paper and duly tied with the lace or thick thread. Different types of documents can be filed in separate cardboard files. These files can be stored in the almirah for safety. These types of filing system are suitable for small business.

Advantages:

- It is very simple and easy.
- It is cheap.
- It is safe because it can be placed in the almirah.
- It is very compact and needs little office space.

Disadvantages:

- It is not appropriate for large type of business organization.
- It takes time to locate document because of lack of indexing.
- There are chances of misplacement of documents.

Box Filing:

Box files, as the name suggests are made in the shape of box which is 3 to 4 inches deep are used for filing papers. "The boxes are fitted with spring clip to hold the papers down in their proper places. Sometimes papers may be placed in manila folders which may be kept in the box." Documents are filed chronologically. Separate boxes can be used for each subject. Since documents are kept in box so, it is called box filing.

Advantages:

- "It is very simple to understand and easy to operate".
- It is very cheap. It needs only box to preserve records.
- Box remains closed, so it is safe system.
- It is not necessary to punch the document.



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Disadvantages:

- It is unsuitable for large types of business organization.
- It creates problem to takeout a document from the middle.
- It is not flexible because it has limited space.
- There are chances of misplacement of documents.

Press copy book method:

Under this method all outward letters are copied out in a book. Actually the practice is to get an extra carbon copy of each letter. The copies are then filed in the master file in chronological order. This helps to preserve documents which may become evidence. But it is a time consuming method. Location of documents and cross reference is difficult.

Advantages:

- Sent out letters copies of are safe over here.
- Preserved letters can be used as evidence.
- Easy location of document.

Disadvantages:

- It only preserves the dispatched letter.
- A letter book has limited pages. So there is lack of flexibility.
- It is an unsafe method because a clerk has to frequently take out the documents.

(2)Modern Filing system in Office and Organization:

At present the old filing system does not fulfill the needs and requirement of modern big organization. So old becomes replaced by new filing with improved and modern office equipment. Various types of modern filing system are as follows:

Horizontal filing:

Under horizontal filing, the papers are inserted in files or folders which are kept drawers in horizontal position as on upon the others. The papers are filed in the folders in chronological order. As files are placed one above the other, there may be some difficulty in tracing the files whenever required. To avoid this each file is allotted a



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number and an index is prepared. When a file is removed for reference, a guide card about its movement is kept in its place.

Flat files:

These files are made of cardboard or thick paper. A separate cover is allotted to each subject or customer, which contains all the relevant correspondence and documents. The letter received, letter and invoices posted and other relevant documents get filed in chronological order. A letter or a document need to be filed at more than one place, the necessary number of copies is to be made of and filed in each relevant file. The flat has metal hinges which are inserted into the holes which are punches with the punching machine.

Advantages of Horizontal filing system:

- The horizontal method is simple and there is easy access to the documents.
- The papers are filed in chronological order. So it is very easy to trace the letters if dates are known.
- It is economical.
- In this system documents are kept free from dust.
- The papers can be referred to without being removed from the file.

Disadvantages of Horizontal Filing:

- It does not allow for expansion.
- An index is necessary to locate the required files.
- It is difficult to remove a particular paper because the papers are filed one above the other.
- It is not suitable for large organization.
- It is costlier in terms of office space.

Arch level files:

There are strong cardboard folders containing strong metal arches, which can be levered with a double spring arch. If a paper has to be inserted, it is punched with two holes, the lever is moved upwards which will open the springs of metal arches and after inserting the paper, it can be pressed down. The papers in the file lay flat, one upon the other. This system facilitates alphabetical division, which is effected by the insertion of thick cards at suitable places.



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Advantages of Arch Level Filing system:

- Papers and documents are filed in chronological order.
- Speedy reference is insured and it is not necessary to remove papers from the file.
- Simple to understand and easy to operate.
- Documents are kept dust free and clean.

Disadvantages of Arch Lever Filing system:

- Papers are dislocated when a particular document is taken out.
- Not suitable for large organization because only a limited number of documents and papers can be filed under this system.
- Less scope of expansion.
- When a large number of documents are placed in one file, their location become a chronic problem.

Vertical Filing system

This is the most modern system of filing. Under this method the files containing papers are placed vertically or in a standing upright position. Papers which are to be filed are firstly put into folders and the folders are placed in drawers of cabinets of suitable size and design in alphabetical and numerical order. Thus the equipment under vertical filing consists of folder and cabinets.

Advantages of vertical filing:

- Vertical filing allows ready reference.
- It is easy adoptable.
- It is economical.
- It is more flexible.

Disadvantages:

- It is relatively.
- The folders may slip down resulting in war and tear of folders.

Suspension filing:



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Suspension filing is an improved from a vertical filing. Under this system folders, which have hinges instead of being put in the drawers are kept suspended vertically from metal railings fitted on the upper side of drawers. The top of each folder is made of metal sheet. Front side of sheet is used for pasting title paper slips. These paper slips exhibit title of the correspondence contained in that folder. Titles of all files thus can be viewed without touching the folders, it becomes like a visible system.

Lateral filing

It is modified version of suspension filing; it is one of the most popular forms of filing system used in modern offices. In this filing system, envelop type of folders are used which is made up of metal strip. It uses hinges or hooks that can hold papers better than shelf. The top of the folder is fitted with an indicator. It is useful for larger organization. It uses less space and folders are also quickly located. It is less expensive and can also expand its space

Open shelf filing

In this stage, high shelf is used to keep folders. The files are laterally kept in open shelves in numerical order. In some cases, files are horizontally kept in the shelves. Guide cards can be used in between folders. The open shelves may be of any height. It may even touch the ceiling of 9-10 feet. It includes all merits of lateral filing. The main disadvantage is that it lacks secrecy and safety. It is not suitable for small offices.

Write a Short note on : Filing equipment

Individuals and businesses have a variety of choices when it comes to filing equipment. Some options offer high levels of security while others can accommodate a high density of files. The amount of space you have, the sensitivity of the files and your preference for physical or electronic records all influence your choice of filing equipment.

- Physical Filing Equipment

Filing Cabinets

The **filing cabinet** is an office staple. Four drawers allowing files to be stored laterally is standard. According to Smead, a document management company, filing cabinets are beneficial if you need to keep records secure. Because these cabinets can be locked, a company can **limit access to sensitive files** while still allowing employees and visitors to enter the room.



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Out of all the physical filing equipment options, cabinets tend to be the **most expensive** and have the most **limited capacity**. Smead notes that a four drawer filing cabinet that takes up a 6-foot-by 24-foot filing area can hold approximately 8,448 folders.

Open Shelving

An alternative to filing cabinets is **open shelving**. Units are similar to open bookcases and are specifically designed for folder height and width. The design allows users **easy access to files** and can be either **stationary** or be **mobile** if rollers are attached to the bottom.

Open shelving saves on space and money. Smead notes that shelf filing equipment typically is **three times** less expensive than filing cabinets. Compared to a four-drawer filing cabinet, a seven-tier open shelving system has 80 percent **more capacity**. Mobile shelving can be placed in higher density and offers 405 percent more capacity than cabinets.

- Digital Filing Equipment

External Devices

It's convenient to use a computer's internal hard drive to store files, but you risk losing your information if the hard drive is corrupted or physically damaged. To mitigate this risk, users may want to back up data to an external device. PC World recommends backing up critical files to an **external hard drive** and using a **thumb drive** to transfer files as needed.

Servers

Businesses that want multiple parties to have access to the same data may want to invest in a server. Servers act as a **central repository** for many users' files. PC World notes that businesses can host multiuser applications -- like databases and enterprise resource planning systems -- on the server. This makes it easy for a large number of individuals to **have access** to the same files. Server data can be backed up to an external device or the cloud for extra security.

Explain Meaning and Need for indexing

Meaning: Alphabetically arranged list of items (such as names or terms) given at the end of a printed text with page numbers on which the item can be found

Indexing performs an indispensable service to the filing function. Index, is a reference list used for locating a particular document in the filing equipment. Similarly, while filing a document, the index aids the records clerk in tracing out the place where the particular paper should be filed.



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Particularly when a large number of files are maintained for various purposes, index is very essential. Index is anything that indicates or points out.

Objectives of Indexing

The principal objective of indexing is to ensure that filed papers are located easily and quickly whenever they are needed. Therefore, indexing adds to the efficiency of the filing method. It ensures speed in finding the files and consequently results in savings in time, labour and the resultant economy. This object can be best achieved where the right type of indexing system is chosen.

Though a separate index is not necessary when files are maintained in alphabetical classification, it is essential in other, systems of classification.

Essentials of a Good Index System

In order to achieve these objectives, a good system of indexing should have the following features:

1. The Index system should be simple and easy to understand.
2. It should be economical in operation.
3. It should allow for speed.
4. It should go well with the system of filing in the organization.
5. It should be flexible to allow for expansion whenever needed.

Advantages of a Good Indexing System

A good system of indexing i.e. which goes well with the filing methods provides the following benefits.

1. Easy Location

The required papers and documents can be easily located. No extra time is needed. Hence, referencing shall not be a painful process.

2. Easy Cross Referencing

A good system of indexing also ensures easy cross-referencing and thus saves time and worries.



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3. Economy

The cost of records management shall be reduced and the efficiency is also increased. Hence, a good index ensures economy in records management.

Types of Index Systems

According to J.C. Denyer, there are five main types of index, which are commonly used in all offices. They are:

1. Page Index.
2. Loose or Vertical Card Index.
3. Visible Card Index.
4. Strip Index.
5. Rotary Index.

Though there are other methods of indexing, they are not taken up here for discussion, as they are crude, unscientific and unsystematic methods.

1. Page Index

This consists of a few pages allotted to each alphabet, fitted with a tab showing the letter. On each page are written the beginning with that letter and quoting the relevant reference, usually a number. This type of index is commonly used for the minutes, customers and suppliers' ledgers etc.

Forms of Page Index

This type of indexing may take the following two forms:

❖ *Book Index*

Book index may also be called bound index. Index is prepared alphabetically, in a bound book or register. The pages cannot be lost or disarranged as they are bound. If it is maintained as a separate book, the entries under different alphabets will indicate the file numbers of different persons. But if it is attached with some book say a ledger, it will indicate the pages of the ledger in which accounts of different persons have been entered into.

Book indexes are available in the market, and hence they are economical. But it will not be useful after a certain limit. Thus, it is inflexible. It can accommodate only limited number of entries. Another defect of this system is that the names are entered on each page in the order



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in which they first occur. Hence, a dictionary like sequence is not maintained. Therefore, it may take much time to locate an item.

❖ *Loose-leaf Book Index*

A loose-leaf index is one in which pages are held by a device which makes it possible for the pages to be taken out or additional pages inserted. The sheets of papers are fitted on metal hinges and screwed. When a metal leaf is to be inserted or an old leaf is to be removed, the book is unscrewed and the relevant sheet is inserted or removed.

Merits of Page Index

1. It is a very simple method and easy to operate.
2. It is also a cheap method. So sophisticated equipment are not needed.

Demerits of Page Index

1. This system is very inconvenient.
2. Easy and quick reference are impossible.
3. When names are deleted the names should be strike off and this will present a shabby appearance.
4. This system is inflexible. Though loose-leaf binders offer certain amount of flexibility, this system cannot operate beyond a limit.

In spite of the drawbacks, this system of indexing is popular in small concerns all over the world. This system can also be successfully used even in large organizations for limited purpose.

2. Loose or Vertical Card Index

The loose card index was developed by Abbe Jeen Rozier, a Frenchman, to do away with the drawbacks of ordinary page index in the 18th century itself.

Under this method, separate cards of uniform size are allotted for each subject, customer or document. These cards are generally of 105 x 148 mm or 74 x 105 mm size. These cards contain the names and other particulars to be indexed. These cards are filed vertically and contain reference numbers on the top.



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The cards are filed in some order say alphabetical, numerical or any other suitable method. They are placed in drawers or boxes of suitable dimensions. A hole is punched into each card and a steel rod runs through the cards so that the cards are kept in proper places. Guide cards are used to indicate the broad classifications such as letter A to Z or numerical sections.

This system is widely used in banks, libraries, hospitals and in offices for credit records and staff records.

Merits of Vertical Card Index

This system has several points to its credit. The most important ones are given below:

1. It is highly economical. Hence, complex equipment is not needed to install this system.
2. This system is highly flexible. New cards can be inserted at any time, without disturbing the original order.
3. This system is simple and easy to understand. Hence, trained staff need not be employed.
4. Dead cards can be removed very easily without disturbing the order.
5. Similarly, cards can be regrouped at any time within a short period.
6. Cross-referencing is easy and time is not wasted to have a cross-reference.
7. The card contains full particulars. Hence, one card is enough to gather as many information as needed.
8. This system can be used for various purposes and uses. This will lead to standardization of equipment and procedures.
9. More than one person can consult the card index at the same time.

Demerits of Vertical Card Index

This system has certain inherent defects. They are:

1. Cards can be substituted to commit or conceal fraud.



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2. Constant supervision is needed to avoid fraudulent substitution or manipulation. Moreover, the cards taken for reference should be reinserted in the same place. If the card is misplaced, the entire system will fail to produce the desired results.

Frequent handling of all cards shall result in frequent damage of cards. Hence, damaged cards or cards torn should be replaced by new cards from time to time.

4. There is also a danger of separate cards being lost by the persons who take them away from the drawers for reference.

5. Ready reference often becomes a difficult task.

In spite of the apparent defects, this system is highly flexible and simple to operate. In particular, this system is followed in all big libraries.

3. Visible Card Indexing

Under this method, the cards are laid flat in transparent covers in a shallow tray or in a metal frame. Each card is fitted into metal hinges so that the edge of each card projects the width of one line beyond edge of the next card. This makes possible to read one line on each card without turning the card.

The trays in which the cards are kept are fitted with a device which enables the cards to be held in that position and yet permits individual cards to be written upon, withdrawn, replaced or rearranged whenever needed. The frames or trays can be attached vertically to the metal stands or they can be put horizontally into cabinets. The trays normally contain 50 cards.

Advantages of Visible Card Index

This system has some advantages namely,

1. It occupies less space and hence economical.
2. Instant or ready reference is ensured. Thus they can be referred to with speed, which adds to the efficiency of the office.
3. This system is highly flexible. In the same space, more cards can be removed without disturbing the original order.



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4. Additional information can be easily written on this card without disturbing the order in which they are kept.

5. Controlling of various functions shall be made effective. Hence, this index is highly useful to the management in the process of controlling the affairs of the office.

Disadvantages of Visible Card Index

This system also has some defects such as:

1. The equipment required for this system is costly.
2. Trained staff should be employed for operating this system.

Recent Developments in Visible Card Indexing System

Some important variations were made in the visible card system so as to make it more useful. Some innovations made in this field are:

1. Automatic Card Index

Under this system, trays of card are suspended from a revolving mechanism under push bottom control by means of which the office staff can obtain quick access to more than one lakh cards.

2. Visible Books

Overlapping visible index record can also be kept in a book form. A visible book consists of a loose-leaf index in which pages are arranged like the cards in the visible card index.

3. Staggered Card Index

This system has been developed to give easier reference to the headings. Cards are arranged in groups and overlap so that reference headings on the cutaway corners of a whole group can be seen at once. This system of indexing is sometimes applied to ledger cards to facilitate the extractions of accounts for posting.

4. Strip Index

Strip index, in fact, is a type of visible card indexing which is used when the entries are limited to a few lines (Names, addresses etc.). In every type of office, a list of the names, address and telephone numbers is to be maintained. The strip index is specially designed for this purpose.



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It consists of a frame into which strips of stiff paper covered by transparent plastic can be fitted. Limited lines can be written on the strip, as such short reference can be provided. Each strip is devoted to one correspondent, one file or one item. Frames fitted with strips can be fixed on the walls or arranged on a rotary stand. The strip can be protected from exposure or damage with removable transparent, celluloid or plastic window sheets.

Strip indexing offers similar advantages and suffers from the same drawbacks as those of visible card indexing.

5. Wheel or Rotary Index

The wheel or rotary index is a fairly recent development aimed primarily at saving space and time for reference. This system of index is very popular in Western countries. In fact, it is a modified form of visible card index.

Under this system, cards are arranged about the circumference of a wheel which may be portable or set in a cabinet or desk. Entries can be made on the card without removing the card from the wheel. Similarly, new cards can be inserted without any delay and without disturbing other cards.

A single wheel can hold nearly 5,000 cards and six wheels can be set up within the easy reach of the clerk sitting at his desk. The capacity can be further increased when wheels of a bigger diameter are arranged without disturbing the other cards, and entire scan is made on the card without removing them from the wheel. The rotary index may also take the form of a drum.

Advantages of Wheel Index

1. This system offers a greater speed of reference and thereby promotes the efficiency of office systems.
2. Economy in space requirements.
3. This system is highly flexible than to other systems.
4. Entries can be made in the card without removing them from the wheel.

Signals

A great advantage of visible index is that various control features can be introduced by the use of signals on the exposed edges of the records.



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A signal can be described as a metal clip (Plastic tab or adhesive material which is attached to the exposed edge of the records). The principal aim of the signals is to draw the attention to certain fact records on the cards. The location of a particular folder or record ledger etc. can be made easier by attaching signals to them.

Its shape, colour or position along the edge of the folder, card or sheet shows the significance of a signal. However, these signals are only supplement to the main classification.

Choice of a Suitable Index System

So far we have discussed the basic methods of indexing in detail. But all methods are not at all suitable to all organizations. Sophisticated methods like wheel indexing are not suitable to small organizations. Hence, the most suitable system should be decided with reference to the requirements of the individual filing system. The factors to be considered are:

1. Volume of information wanted on the index.
2. The frequency of withdrawals and insertions.
3. Nature and number of entries made every day.
4. Cost of the equipment.
5. Space requirements and the availability of space.
6. The need for the use of signals.



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Unit - 3

Modern Office Equipment and Office Automation

Meaning and importance of Office Automation:

The modern history of office automation began with the typewriter and the copy machine, which mechanized previously manual tasks. Today, however, office automation is increasingly understood as a term that refers not just to the mechanization of tasks but to the conversion of information to electronic form as well. The advent of the personal computer revolutionized office automation, and today, popular operating systems and user interfaces dominate office computer systems. This revolution has been so complete, and has infiltrated so many areas of business, that almost all businesses use at least one commercial computer business application in the course of daily activity. Even the smallest companies commonly utilize computer technology to maintain financial records, inventory information, payroll records, and other pertinent business information. "Workplace technology that started as handy (but still optional) business tools in the 1980s evolved into a high-priority requirement in the 1990s," summarized Stanley Zarowin in Journal of Accountancy. "As we enter the new millennium, it has taken another quantum leap, going from a priority to a prerequisite for doing business."

Office automation (OA) refers to the collective hardware, software and processes that enable automation of the information processing and communication tasks in an organization. It involves using computers and software to digitize, store, process and communicate most routine tasks and processes in a standard office.

Office automation makes it possible for businesses to improve their productivity and optimize an existing office procedure which saves time, money and human efforts.

Importance of Office Management

1. Manipulation and storage of data:

Storage of data means saving all confidential and important documents and records related to office. The office automation system also consists of handling data applications that are used for handling and creating documents, images, spreadsheets and files.

Several kinds of word processing as well as desktop presentation packages are present which will allow in creating or even editing any data.



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At the same time, you can also find a few dedicated applications which are needed for images as well as spreadsheets.

2. Management of data:

Data management happens to be one of the best and biggest advantages that comes with office automation systems. It offers several facilities such as managing of data and information that is sorted.

Big business organizations are able to monitor and even handle projects and activities that are big inside the office by using an electronic management system.

The program schedulers, tickler systems as well as the reminder systems happen to be some of the main features that will boost and empower your business and help you finish work without hassle.

3. Exchanging data:

Exchanging data that is stored or even manipulated happens to be quite an essential component of the office automation system.

It will help in sending files, exchanging any information or data and use the method of electronic transfer application whenever the need arises. Throughout the network connection, all information as well as data which includes presentations, text documents and spreadsheets could be send within a couple of seconds only.

By illustrating the nature of these office automation systems, it will allow the employees to handle real time and boost the productivity at the same time.

4. More accuracy:

The office automation system also guarantees more efficiency than any other machine. Once all bugs have been removed from the program or the application, it could help you get more accuracy in your daily businesses.

The programs used in this are far more effective and reliable and people who have made this in real. It also implements advanced business automation software which also reduces any signs of errors.

5. Saves more time and even more resources:

The office automation system will empower all businesses to all time and money both. It will simplify all the complex tasks, help in getting a more dedicated and proper resource and will also lead to a much bigger amount with time.



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An example can be used to explain this. When you introduce much bigger and better computer technologies along with communications, businesses nowadays have been restricted to any geographical limitations.

It can help in saving both money and time and the costs that people usually spend on traveling. The digital storage is also an essential feature that will reduce the need of preserving all hard copies.

6. Reduces all costs:

Since most business processes have now been automated, you don't have to invest that much on hiring any new resources or even taking care of any of these tasks which can be executed easily by using the system of office automation.

Like we all know, time saved is equal to money saved and the business enterprise could also save a lot by automating several business processes. By saving the entire expenditure as well as investment on other resources, the profit margins shall definitely see an improvement.

7. Improving communication within and between enterprises

Office automation is important because the system helps to facilitate the exchange of information in an organization. This is done through teleconferencing that enables easy communication from different branches and departments without traveling across states for long distances to hold meetings.

Automation systems as if video conferencing helps to improve the way organizations exchanges information and in turn, this helps to reduce costs incurred through the meeting. Besides being cost effective, video conferencing is time saving. This in turn helps improve organizational performance because staff members have ample time to focus on other important activities within the company.

8. Ease the preparation and sending of messages

Automating the office plays a fundamental role in reducing the time between preparation and reception of a message. This is made possible because, the person sending the message can compose and send the message to the recipient instantly.

Examples of office automation platforms include emails that allow sending information to a large number of recipients in different regions across the globe. The communication system used in emails in this case helps to improve the flow of information within the firm.



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9. Help reduce the cost of operations and increase the volume of office work

Another importance of automating the office is that it helps to reduce everyday involvement in clerical tasks like organizing customer data and creating reports.

The spreadsheets act as the automation platform that helps store bulky consumer data, which helps reduce a lot of paperwork because the information is entered, compiled and stored once for future referencing. In addition, the use of spreadsheets helps increase the volume of work and keep the office orderly.

Additionally, automation enables a limited number of employees to perform many tasks or duties at a time. For instance, one worker can use one machine to select, pack and label goods for shipping or transportation. In this case, the cost of operations is reduced because the company will spend less money in recruiting more labor for different tasks.

10. Lessening working-load: In today's world the arena of work in firms are widening day by day to which this very system is quite well capable. Superior ability of handling load and increasing enjoyment in work is one of Office Automation system vital features.

11. Multitasking: There are so many types of customs that are performed in a firm. Office Automation system is there to handle this massively important custom of a firm, multitasking. From opening the entrance gate to controlling temperature inside the office complex and at the same time looking after all the necessary data processing steps and entries—an immense amount of work-load is handled by the system alone.

12.Ensured feasibility: Feasibility means practicability. Any work lacking feasibility remains questionable and doubtful. Office Automation system always has a close look at the confirmation of feasibility of work in an office. Time-to-time checking of entering input and measuring output makes the work acceptable for the managers to evaluate. Foundation of any greater effort or improvised tasks is mainly established through feasible results. In addition, taking correct, standard and up to the mark decisions is of great utility for managers to keep the smooth run of their firms among competitors. Feasibility of works and customs is essential to proceed here which is being ensured by the system. That makes a legitimate sense on how much important feature it is of the system.

13. Office environmental sustainability: The system is capable of making the workforce work on it, work with it. This is how it confirms its sustainability and adaptability with the office



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environment. If the system is not popular and manageable to use with the workforce, the system is on verge of failure and in this modern age of office lifestyle, Office Automation system's failure deteriorates the harmony of order and tasks and leads the firm towards sheer drawbacks.

Scopes of competitive advantage: Competitive advantage means the forward-moving plus-point of a firm over other firms. A firm can start to think of reigning over other firms when it starts to increase the amount of competitive advantage. The immense positivity Office Automation system brings towards gaining competitive advantage over other firms is beyond uncertainty. It adds to the prosperity of firms and earns a greater assurance in surviving amid nail-biting competition in the market.

Mechanization of Office

Modern office requires many machines and equipment for effective performance of assigned work. A large number of machines and equipment are available in the open market. These are used for different operations in an office. In the fast developing globalized business world, the application of machines and equipment is indispensable.

The reason is that there is a need of speedy, accurate, and efficient performance of office work. The extent of utilization of office appliances (i.e. machines and equipment) helps to reduce monotony, fatigue, and operating costs. Moreover, machines and equipment help human brain inefficient management of office operations. Hence, these machines and equipment are treated as labor helping devices or labor saving devices.

The optimum utilization of human resources is based on the application of types of machines and equipment. Generally, the mechanization of office work ensures proper and efficient functioning of office work. Hence, the office has to decide the using of machines and select the suitable machines and equipment for the office.

Objectives of Mechanisation in the Office:

Mechanisation in the office has the following objectives:

1. Interpretation of Data:

Machines like computers interpret and keep in memory the facts and data for decision-making and control.

2. **Labour Saving:** Mechanisation aims at saving labour in one of two ways—either it may reduce the total wage bill or the same member of employees carry on a larger volume of work.



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3. Lesser Frauds:

Machines minimise fraud in office work.

4. Time Saving:

Saving of time is another objective of mechanisation. The work that would take hours can be done in little time with machine.

5. Accuracy:

The work done by a machine is far more accurate and, hence, one major objective might be to enhance accuracy.

6. Standardisation:

A standard work can be achieved only when the machines are operated at best efficiency.

7. Elimination of Boredom and Monotony:

Repetitive processes are monotonous and office machine aims to eliminate the monotony of these repetitive processes.

Principles of Mechanisation and Equipment Selection in the Office:

Let us assume that an office, which is running at full steam, has decided to buy certain office machines for enhancing not only output of the work keeping the quality into consideration, but it also wishes to save time and maintain the productivity economy at certain level.

Then what could be the certain factors which should be taken into consideration to select and buy office machines? The consideration and the principles of buying office machines differs from organisation to organisation, however, there are certain common principles which are generally followed by every organisation:

1. Principle of Space:

It is essential and necessary that the machine should occupy the least floor, door or shelf space. Large and heavy machine occupies more space and it adds up to the cost the space, thus it becomes an indirect expenditure on the overall cost of the organisation.

2. Standardisation:

Standardisation in terms of office equipment and its purchase refers to buying the same machines which would fulfill the specification of the machine that is required to carry the work of an office. For example, if the office job is such to take out photo-copies in reduction or enlargement size, then the copier which should be purchased should have a zoom lens facility as this helps in reduction and enlargement of the copies.



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3. Adequate Purchase:

If a particular type of machine is needed by every department, then the same number of machines should be purchased.

4. Utilisation:

The utilisation of the machine purchased should be 100% i.e. it should be used to its full or greatest use. In fact, at the time of purchase, the quantum of use in relation to the cost must be determined. A machine which has to be used rarely should not be purchased at once spending a lot of money.

5. Durability:

Anything which is purchased must be durable. It may not only have a long life but it should be free from frequent breakdowns etc.

6. Principles of cost:

A balance should be maintained while purchasing an office equipment and the money spent on it to buy it. Every machine has three different costs involved in it. They are the buying cost, the operating cost, and the idle time cost.

If the capital cost of a machine is higher but its operating cost is low; it could be preferred to a machine whose buying cost is very low, or in fact low, and the operating cost is high. However, one should always keep in mind that quality should not be sacrificed for the sake of cost.

7. Adaptability:

The machine purchased should be such that everybody who uses it not only adapts himself to the machine, but the machine should attract others to adapt them-selves to it. In other words, the operation of the machine should be simple and easy for others to understand it, and use it, rather than being ordained and cumbersome to adapt oneself to it.

8. Principles of Quality:

Machines purchased must be of good quality so that the quality of the work performed by them is of desired standard.

9. Benefits:

One should take the concept and principles of benefits into consideration before buying a machine. As a cost is involved in purchasing the machine, the benefits should be multifaceted.

10. Suitability:

The office machine should be suitable for the process for which it is to be purchased. It should not be purchased only as a status symbol.



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Advantages of Office Mechanisation:

The advantages of mechanisation are:

1. It Relieves Monotony:

A job which is repetitive in nature brings about boredom and a feeling of being monotonous amongst the employees. Hence if the same work is repeated in the machine then the worker will not feel the pinch of the same, hence a machine reduces boredom and monotony.

2. Maintains Standardization:

It facilitates standard of the work in terms of qualitative output. In turn, this enhances a working spirit and better coordination amongst the employees.

3. Accuracy:

Machines ensure better accuracy. Chances of error are eliminated. Thus the work goes on smoothly and the delays and bottle-necks are eliminated which may prove very costly.

4. Better Control:

Using a proper set of machines facilitates a better control of work as it helps the subordinates to use them and complete the work, not only within the stipulated time but within the economy—with precision and accuracy.

5. Greater Efficiency:

Machine brings about a speed and efficiency to all types of office work. The work that may take hours to finish may be finished in motion with their help. Improved efficiency leads to greater profitability and, at the same time, it creates a good image in the mind of the people who deal with the organisation.

6. Lower Cost of Operation:-

The operating cost per hour of work declines with the use of machines. Of course, there is no doubt that they require a large amount of initial capital investment. However, in the long run, they prove beneficial.

7. Better Quality of Work:

Mechanisation and machine helps in improving the quality of the work done in the office. Not only the work will be neat but it will be more systematic.

Disadvantages of Office Mechanizations:

Although the use of mechanical device offers many advantages, it suffers from a number of drawbacks:



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1. Surplus of Staff:

It has been observed that there are machines for which a skilled hand is needed for operation. Sometimes, if this skill hand is not available for a very long time, then either somebody is trained to operate it, or on immediate basis a recruitment is done to get a person to operate the machine. In both the cases, it involves cost, and it adds up to the expense be-side swelling the strength of the staff.

2. High cost of Installation:

Most of the office machines, like the Xerox machine, Electronic Scanning Machine and the computers are expensive, and a large amount is spend not only to procure them, but on their maintenance. Hence the installing and the maintenance charger are very high.

3. Under-Utilisation of Machines:

Machine purchased spending a very high price, if not utilised to its maximum, or not very frequently used, not only blocks the money which is spent to buy it, but it reduces the interest of the bank, on the money that is blocked while purchasing it. Hence it is essential to make proper use of machines' full utilisation potentiality.

4. Cost of Operation:

Sometimes the costs of operation of certain machines are very high. For example Xerox machine, one should find out the number of pages that a bottle of toner might copy before buying it. Similarly, one should also find out whether the selenium drum of the copier needs an air-conditioned room for its maintenance.

5. Cost of Break-down:

Sometimes the break-downs etc. prove very costly. A huge amount of money has to be spent for repairing the same. Also, during the time of break-down, the work gets held up. This adds to the cost of the working system of the office.

6. Monotony:

In some cases, certain installation of the office machine relieves a worker of his job in the office. This example holds true in production department of any company where the machines replace the workers and monotony becomes an important problem in the office. The induction of the machine may reduce the interest of the worker as well as it can kill the enthusiasm and the creativity of the worker.

7. Workers' Hostility:

Sometimes the attitude of the worker becomes very hostile when a new machine is installed in the office. Some think that because of the advent of the machine in the office, they would stand



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to lose their job. They resort to indiscipline, strikes etc. and sometimes the industrial peace of the office suffers on this account very badly.

Factors to be considered for selecting office machines

Need of machines: before selecting any machine its degree of need is to be checked thoroughly. The alternates available to the machine also should be analyzed

Cost: cost of machine is a very important factor to be considered before selecting any machine. The machine should be within the budget of an office

Operating cost: capital cost and operating cost should be taken into account. Similarly, maintenance cost, repair cost, and space required for the machine also should be analyzed

Durability: office machine should be original, durable and long lasting. Office machines are very expensive and it is not possible to purchase new machine every year. Therefore, the machine to be purchased must be free from problem of frequent break down. This also saves in repair cost

Easy to operate and flexible: office machine should be easy to operate and flexible. There shouldn't be need of any additional training and specialization for handling of office machine. Machine should be usable for numerous purposes too

Servicing: office machines require regular repair and maintenance,. The spare parts of the machines should be easily available in the market. Likewise the servicing facilities should be readily available.

Quality and speed: office machine should be of higher quality. It should be speedy in nature.

Multiple uses: Office Machine should be usable for numerous purposes in the office.

Saving space: choice office machine also depends upon the space occupied by furniture. Such furniture should be selected which would occupy minimum office space. Bulky and space occupying furniture indirectly add office cost.

Comfort: office machine should be comfortable. Comfortable furniture will result in increased efficiency of the employees

Portability: the office machine being portable can be easily shifted from one room to another, one building to another and from one location to another.



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Unit -4 Banking Facilities

Bank facilities can be overdraft **facilities**, which provide short-term loans to companies only when their cash accounts actually run dry, or credit **facilities**, which provide short-term loans to companies when they need supplemental cash for various purposes.

What Is a Banking System?

When you sit back and think about it, banks are often a huge part of our lives. We deposit our paychecks, take out loans, and set up savings accounts, all at a bank. But what do banks do? What are the different types of banks? Let's start finding some answers to these questions by looking at the different types of banks that make up a banking system.

A **banking system** is a group or network of institutions that provide financial services for us. These institutions are responsible for operating a payment system, providing loans, taking deposits, and helping with investments.

Functions

Banking systems perform several different functions, depending on the network of institutions. For example, payment and loan functions at commercial banks allow us to deposit funds and use our checking accounts and debit cards to pay our bills or make purchases. They can also help us finance our cars and homes.

By comparison, central banks or systems distribute currency and establish money-related policies. Investment banks or systems conduct trades or deal with capital markets.

Many banks are profit-seeking entities with stockholders. They obtain profits by charging more interest for loans and paying less interest on deposits. For example, a bank may charge a 3.91% interest rate on a 30-year, fixed rate mortgage, but offer an interest rate of only 0.15% on a savings account of \$100,000.

Facility

WHAT IT IS:

A **facility** is essentially a bank loan agreement that a company can use on and off for short-term borrowing purposes.



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HOW IT WORKS (EXAMPLE):

For example, let's assume Company XYZ is a jewelry manufacturer. The company is typically flush with cash in July when retailers place their orders for the upcoming Christmas season. The company is typically tight on cash in December, when orders are lower and it is buying supplies to manufacture the coming year's designs.

This ebb and flow of cash can ruin a company if it doesn't have access to a facility. If Company XYZ gets, say, a \$2 million facility from the bank, it can borrow up to \$2 million (and not necessarily all at the same time) to "get by" in December and then repay that cash six months later in July when it is flush with cash again.

Bank facilities can be overdraft facilities, which provide short-term loans to companies only when their cash accounts actually run dry, or credit facilities, which provide short-term loans to companies when they need supplemental cash for various purposes. Banks might also provide letter of credit facilities or even term loan facilities.

Facilities typically are for limited amounts and don't require collateral. Often, they come about as part of an equity offering or other financial event that a company may undertake. The terms vary widely, but in most cases, the bank requires repayments monthly or quarterly, in addition to interest, though often companies can "term out" a facility, meaning they can negotiate a longer repayment period with the lender for some larger balances.

WHY IT MATTERS:

The purpose of most bank facilities is to ensure that a company has access to cash at all times, and they can be particularly important for companies with seasonal sales cycles or other situations in which cash balances are particularly low at times. This prevents the company from having to lay off workers, reduce growth or shut the doors when cash is temporarily low.

Types of Banking Facilities

1. **Unsecured loans:** Business Term Loan, Working Capital Loan, Unsecured Business Loan.
 1. A lump sum cash credited into your bank account with a fixed monthly installment.



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2. Cost: Typically higher interest compared to secured loans as the risk that banks undertake is higher. (5-10% p.a.). Read more on [Simple vs Effective Interest Rates](#)
3. Suitable for: Working capital/business expansion. Relatively new companies with no assets to pledge to the bank.

2. Overdraft

1. A revolving credit line available for you to draw down. Similar to how credit cards works.
2. Cost: Pay as you use. (4-6% p.a.)
3. Suitable for: eg. Your company have 500k sitting in your current account (usually zero interest) and you would like to put it into a fixed deposit to earn some interest, but yet you want the option or flexibility to use the funds.

3. Banker's Guarantee ("BG")

1. A guarantee from a financial institution, on behalf of company A to Company B. Company B is the beneficiary of the BG and if A does not fulfil its contractual obligations to B, the bank will pay the guaranteed amount to B.
2. If all goes well, the money will be released back to Company A.

4. Commercial Property Loan

1. A loan to purchase a commercial property for own use or investment.
2. Cost: 1-2% p.a.
3. Read more on: [Guide to Commercial Property Loan in Singapore](#).

5. Commercial Property Cash Out / Equity Loan

1. If you have a commercial property that is fully or partially paid with a low loan to valuation ratio. You may opt to pledged it back to the bank to get a loan. The cash out portion works like a term loan in point 1. Except much cheaper.
2. Cost: 1-3% p.a.
3. Suitable for medium sized companies with full/partially paid commercial properties.

6. Private Home Cash Out

1. This option is only available for private homes and not for HDBs. Take note that you would have to minus off the CPF portion used to pay the house first.
2. Cost: 1-3% p.a.



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3. Suitable for: Businesses with no commercial properties/assets to pledge or said private home is not your main/sole house that you are living in. You won't want to risk losing your only home to the bank right?

7. Machinery/Vehicle Financing

1. Loan to purchase machines, equipments, vehicles etc.
2. Cost: 2-6% p.a.

8. Project Financing

1. Eg. A developer that wants to develop a condo project and financing is based on this particular project.

9. Trade Financing

1. Pre-shipment Financing, Receivables Financing or Factoring, Import Invoice Financing.
2. Suitable for: Companies with cash flow gaps, such banking facilities help finance this cash flow gaps, allowing companies to conduct more business deals with their existing funds.

10. Letter of Credit ("LC")

1. Broadly categorised into Import LC, Export LC or a combination of both
2. Import LC- LC issued by you (the buyer) to the supplier(the seller).
3. Export LC – LC received from your buyer (Sight vs Usance LC). The bank can assist in: LC Advising, LC Confirmation, LC Negotiation or LC Discounting.
4. Combination of both: Back to Back LC or Transferrable LC.

11. Bank Financing: Bank financing is a primary source of capital for business expansion, acquisitions and equipment purchases, or simply to meet growing operating expenses. Depending on a company's needs, business banks can offer fixed term loans, short and long term, as well as lines of credit and asset-based loans. Banks are also a main source of equipment financing, either through fixed loans or equipment leasing. Some banks specialize in lending in certain industries, such as agriculture, construction and commercial real estate.

12.Cash Management: Also referred to as treasury management, cash management services help businesses achieve greater efficiency in managing the cash coming into the business, or



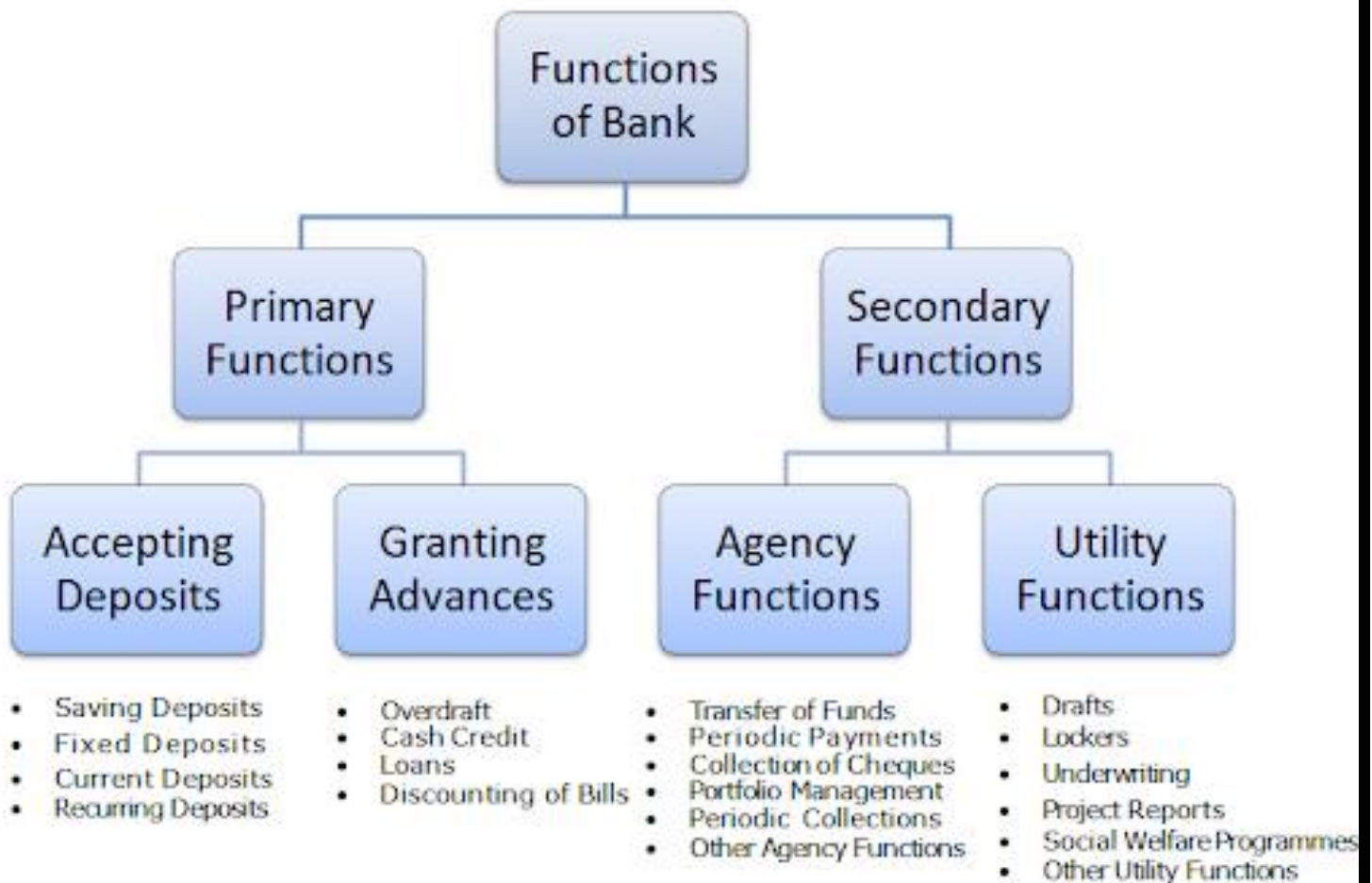
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receivables; cash going out of the business, or payables; and cash on hand, or liquidity. Utilizing the latest digital technology, business banks set up specific processes for businesses that help them streamline their cash management, resulting in lower costs and more cash on hand.



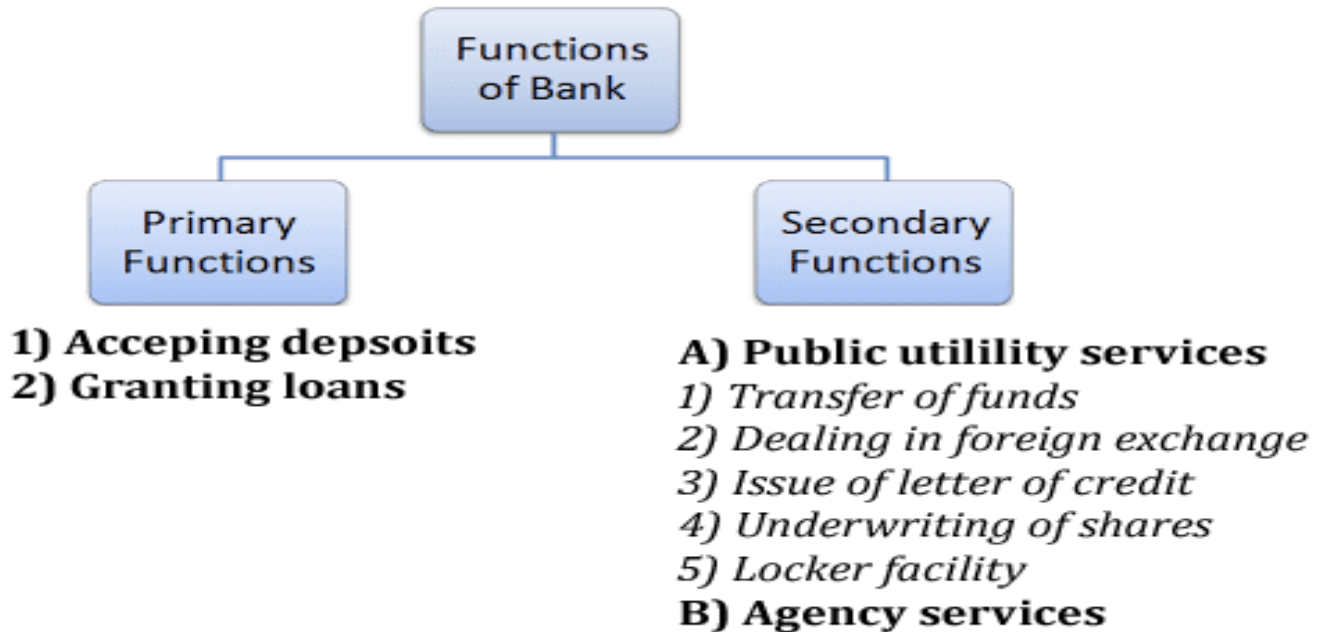


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Need Of Banking Facilities:

A **bank** account is necessary to keep the money safe at a centralized place and save it for a certain period of time. On the other hand “interest on these savings” can be a main reason for having a **bank** account. People keep their money with the **bank** in the form of fixed deposits usually for their future plans.

Main purpose of banks:

- Keep money safe for customers
- Offer customers interest on deposits, helping to protect against money losing value against inflation.
- Lending money to firms, customers and homebuyers.
- Offering financial advice and related financial services, such as insurance

Some of the purposes of banks are:

- **1. Money Parking:** You can safely deposit your surplus money in banks and also earn a little interest on it.
- **2. Loans:** You can take money whenever you are in need in the form of different loans (personal/overdraft etc). It also sometimes lends money to the government.



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- **3.Insurances:** You can buy insurance covers for your life, property, health from your banks.
- **4.Transfer/Remittance:** You can send money to anyone living in any parts of the world safely via a bank.
- **5.Investments:** Banks also looks after your investments. It can be mutual funds or personalized investments(mainly for HNI).
- **6. Adviser to the government:** Banks having terabytes of information can helps the government in framing policies.
- **7.Corporate Affair:** Banks play a very important roles in corporate firms. From distributing payrolls every months to acquisitions/mergers to IPO offerings.

THE IMPORTANCE OF THE BANKING SYSTEM

The banking sector was always deemed to be one of the most vital sectors for the economy to be able to function.Its importance as the “lifeblood” of economic activity, in collecting deposits and providing credits to states and people, households and businesses is undisputable. In all economic systems, banks have the leading role in planning and implementing financial policy.The difference lies with prioritizing goals and their way of achievement.Based on the neo-liberal model, achieving greater profits by using all means is an end in itself, while in the socialistic systems bank operations also aim at improving economy in general and at satisfying social needs.

The financial crisis of 2008, and the way the governments chose to save the banks by laying the burden on taxpayer shoulders while exercising austerity policies, triggered a cycle of discussion over many crucial issues.

One of the basic questions was bank ownership, especially since banks were recapitalized using state money.



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The European leaders and institutional bodies have been promoting the idea of total privatization of the production means and state owned enterprises, among which the bank sector, especially in the countries under memorandum obligations, because, as they claim, the state cannot be a businessman and privatization will contribute in reducing the national debt.

There is however a strong opposition claiming that state owned enterprises – particularly those whose character is monopolistic – and among these the banks that were recapitalized using taxpayer money, must remain under state control because that is the only way for the economy to really recover, and for the social interest to be placed over the pursuit of profitability.

In the following lines I will try to prove that there is indeed need for at least one state bank, especially in the current demanding environment, and I will address the creation of a proper institutional framework to avoid phenomena similar to those of the recent past.

1. **Collections of Savings and Advancing Loans:** Acceptance of deposit and advancing the loans is the basic function of commercial banks. On this function, all other functions depend accordingly. Bank operates different types of accounts for their customers.
2. **Money Transfer:** Banks have facilitated the making of payments from one place or persons to another by means of cheques, bill of exchange and drafts, instead of cash. Payment though cheques, draft is more safe and convenient, especially in case of huge payments, this facility is a great help for traders and businessmen. It really enhances the importance of banks for business community.
3. **Encourages Savings:** Banks perform an invaluable service by encouraging savings among the people. They induce them to save for profitable investment for themselves and for national interest. These savings help in capital formation.
4. **Transfer Savings into Investment:** Bank transfer the savings collected from the people into investment and thus increase the amount of effective capital, which helps the process of economic growth.
5. **Overdraft Facilities:** The banks allow the overdraft facilities to their trusted customers and thus help them in overcoming of temporary financial difficulties.



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6. **Discounting bill of exchange:** Importance of banks can be seen through the facility of discounting bill of exchange. Banks discount their bill of exchange of consumers and help them in the financial difficulties. By discounting bill of exchange, they able to get the desire amount for investment they want.

7. **Financing Internal & External Trade:** Banks help merchants and traders in financing internal and external trade by discounting foreign bill of exchange, issuing of letter of credit and other guarantees for their customers.

Types of Bank Accounts: Explained in Details

Various types of bank accounts are as given below:

1. Saving Account
2. Regular Savings
3. Current Account
4. Recurring Deposit Account
5. Fixed Deposit Account
6. DEMAT Account
7. NRI Accounts

1) SAVINGS ACCOUNT:-

a) Basic Savings Bank Deposit Accounts (BSBDA)

- This account will be considered as normal banking service.
- For this account, maintenance of minimum balance is not required.
- ATM card/ ATM cum Debit card, Rupay card will be given for the account holders.
- There are going to be no limit on the number of deposits that can be made in a month but, account holders will be allowed most of 4 withdrawals in a month, which includes ATM withdrawals also.
- The above facilities will be given without any charge. There will be no charge levied for non-operation/ activation of in-operative basic saving bank deposit account.
- For this account, overdraft facility will be provided up to Rs. 5000/-.

b) Basic Saving bank Deposit Accounts Small scheme (BSBDS)



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- These are accounts with relaxed KYC, with a minimum document requirement of self-attested address proof & photograph.
- Total credit should not exceed 1Lakh rupees in a year.
- Maximum balance should not exceed Rs. 50,000/- at any time.
- Cash withdrawals & transfers must not exceed Rs.10, 000/- in a month.
- Remittance from foreign account cannot be credited to this account without completing normal KYC formalities.
- This account can be opened only at Core Banking Solution linked branches of banks or at such branches, where it is possible to manually monitor the fulfillments of the conditions.

2) REGULAR SAVINGS BANK ACCOUNT

- Any resident individual- single accounts, two or more individuals in joint accounts, Associations, clubs etc., are eligible for this account.
- Modest credit option available to the depositor.
- Two free cheque books will be issued per year.
- Internet banking facility will be provided without any charge.
- Balance enquiry, NEFT, Bill payment, Mobile recharge etc., are provided through mobile phones.
- Students can open this account with zero balance by providing the required documents.

3) CURRENT ACCOUNT

- Any resident individual- single accounts, two or more individuals in joint accounts, Associations, Limited companies, Religious Institutions, Educational Institutions, Charitable Institutions, clubs etc., are eligible for this account.
- Payments can be done unlimited number of times.
- Funds can be remitted from any part of the country to the corresponding account.
- Overdraft facility will be available.
- Internet banking facility is available.

4) RECURRING DEPOSIT ACCOUNT

CUMULATIVE DEPOSIT SCHEME



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- Any resident individual- single accounts, two or more individuals in joint accounts, Associations, clubs, Institutions/Agencies specifically permitted by the RBI etc., are eligible to open this account in single/joint names.
- Periodic/Monthly installments can be for any amount starting from as low as Rs.50/- onwards.
- Account can be opened for any period ranging from 6 months to 120 months, in multiple of 1 month.
- The amount selected for installment at the start of the scheme will be payable every month.
- The number of installments once fixed, cannot be altered.
- Approved rate of interest is compounded every quarter.
- The amount after maturity will be paid to customers one month after the deposit of the last installment.
- Pass book will be given to the depositor.
- TDS will be applicable on the interest, as per the latest changes in the Income Tax Act on cumulative deposits also.

5) FIXED DEPOSIT ACCOUNT

a) SHORT DEPOSIT RECEIPT

- Banks accepts deposits from customers varying from 7 days to a maximum of 10 years.
- The period of 7 days & above but not exceeding 179 days deposits is classified as 'Short Deposits'.
- The minimum amount that can be deposited under this scheme is Rs. 5 lakh for a period of 7-14 days.

b) FIXED DEPOSIT RECEIPT

- Any resident individual- single accounts, two or more individuals in joint accounts, Associations, Minors, societies, clubs etc., are eligible for this account.
- The minimum FDR in metro & Urban branches is Rs. 10,000/- & in rural & semi urban & for Senior citizens is Rs.5000/- .
- For the subsidy kept under the government sponsored schemes, Margin money, earnest money & court attached/ordered deposits, minimum amount criteria will not be applicable.



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- Depositors may ask for repayment of their deposits before maturity. Repayment of amount before maturity is allowable.
- Interest rate differs from bank to bank depending upon the tenure of the deposits & as when the bank changes the rate.
- Additional interest of 0.50% is offered for senior citizens on deposits placed for a year & above.

6) DEMAT ACCOUNT

- Used to conduct stress-free transactions on the shares.
- An individual, Non-Resident Indian, Foreign Institutional Investor, Foreign National, Corporate, Trusts, Clearing Houses, Financial Institution, Clearing Member, Mutual Funds, Banks and Other Depository Account.
- For opening this account, an individual has to fill a form, submit a photo of the applicant along with a photocopy of Voter ID/ Passport/ Aadhar card/ Driving License & Demat account number will be provided to the applicant immediately after the completion of processing of the application.
- Facilities provided under this account are- Opening & maintaining of Demat accounts, Dematerialization, Rematerialization, Purchases, sales, Pledging & Unpledging, safe custody.

7) NRI ACCOUNTS:-

- NRO (Non-Resident Ordinary Rupees) Account
- NRE (Non-Resident External Rupees) Account
- FCNR (Foreign Currency Non-Resident) Account

| Specifics | FCNR | NRE | NRO |
|------------------------|--|--|---------------------------------------|
| Account opening | NRIs/PIOs/OCIs(Individuals/entities of Bangladesh/Pakistan require prior approval of RBI | NRIs/PIOs/OCIs(Individuals/entities of Bangladesh/Pakistan require prior approval of RBI | Any Individual resident outside India |
| Joint Account | In the names of two or more non-resident individuals. With a | In the names of two or more non-resident individuals. With a | In the names of |



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| | | | |
|---------------------------------------|---|--|---|
| | local close relative on 'former or survivor basis' | local close relative on 'former or survivor basis' | two or more non-resident individuals. With a local close relative on 'former or survivor basis' |
| Money in which account is denominated | US dollar, pound sterling, Yen, Euro, Australian dollar & Canadian dollar | Indian Rupees | Indian Rupees |
| Nomination | Allowable | Allowable | Allowable |
| Account Type | Term Deposit only | Savings, Current, Fixed, Recurring deposit | Savings, Current, Fixed, Recurring deposit |
| Interest Rate | Banks are allowed to determine interest rates for Deposits | Banks are allowed to determine interest rates for Deposits | Banks are allowed to determine interest rates for Deposits |
| Fixed deposits-period | not less than 1 year and not more than 5 years | Min- 1year Max- 10years | As applicable to resident accounts |
| Income Tax | Not Taxable | Not Taxable | TDS on |



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| | | | |
|--|--|--|--|
| | | | Interest received on NRO deposits to be deducted at 30.90% |
| Repatriability | Repatriable | Repatriable | Not Repatriable |
| Loans in India 1)To account holder 2)To third parties | Without any financial ceiling on the loan amount subject to standard margin requirements | Without any financial ceiling on the loan amount subject to standard margin requirements | 1)Permitted 2)Permitted |
| Loans in Abroad 1)To account holder 2)To third parties | 1) Without any financial ceiling on the loan amount subject to standard margin requirements 2)Not Permitted | Without any financial ceiling on the loan amount subject to standard margin requirements | 1)Not permitted 2)Not permitted |
| Foreign Currency loans India 1)To Account holder 2)To third parties | 1) Permitted 2) Not permitted | 1) Not permitted 2) Not permitted | 1) Not permitted 2) Not permitted |



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What is NRO Account?

An NRO (Non-Resident Ordinary) savings account is where you can maintain and manage your income earned in India such as rent, dividends, pension etc.

Benefits of NRO Account

1. **Higher yield post tax:** By availing DTAA benefit facility.
2. **Low cost and Hassle-free money transfers:** Available through various online and offline modes at competitive exchange rates
3. **Low balance required:** Minimum monthly account balance as low as ₹ 10,000 only
4. **Anytime, anywhere account access:** With domestic ATM-cum-Debit card, convenient access at over 11,000 ATMs and over 3,000 branches all over India, and phone and 24x7 internet banking.
5. **Beneficial interest rates:** Interest rates at 4% per annum for end of day balances equal to or above INR 50 lacs and 3.50% per annum for end of day balances below INR 50 lacs.
6. **Easy movement:** Interest earned in current financial year is fully repatriable(after deducting tax). Funds in NRO account can be repatriated upto USD one million per financial year# for all bonafide purposes.
7. **Money2India:** Safe and simple online money transfer tracking service with online transfer to over 100 banks in India.
8. **Joint holding:** With an Indian resident or NRI.
9. **Easy redesignation:** Of your resident account to NRO Account when you become a NRI. Your account number remains the same.
10. **Mandate benefits:** Free cheque book and ATM card for mandate holder.
11. **NRI Advantage:** Handpicked exclusive offers catering to your needs when in India as well as when abroad.
12. **FREE PO Box service** to send your documents.
13. **Tax deducted at source:** Interest earned on NRO deposits is subject to the applicable tax deduction at source.
14. **Double Taxation Avoidance Agreement (DTAA)**
15. **Earn higher post tax return** through reduced TDS rates by applying for DTAA facility on your NRO Savings account.



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16.You can avail DTAA benefit on your NRO accounts by providing a self-declaration in the prescribed format, self attested PAN card copy, Form 10F and tax residency certificate for the current year.

Bank Pass Book: Meaning, Format and Causes for Disagreement.

Introduction

Pass book is an important document almost all of us have. There are certain things to be known and noted about this booklet. From this article, you will get to know each and every details pertaining to a bank pass book. I have also given the format to write a letter to the bank manager to issue a duplicate pass book in case the original is been lost. Optionally, you may also visit the bank branch and inform the concerned person about the missing of your old pass book and they might ask you to fill up an application form to apply for a new pass book. It is always better to carry a copy of your ID proof to fasten up the banking procedures.

Meaning of Bank Pass Book:

Passbook or Bank Statement is a copy of the account of the customer as it appears in the bank's books. When a customer deposits money and cheques into his bank account or withdraws money, he records these transactions in the bank column of his cashbook immediately.

Correspondingly, the bank records them in the customer's account maintained in its books. Then they are copied in a passbook and given to the customer. With the computerization of banking operations, bank statements (in lieu of passbook) are issued to the customers periodically

Thus passbook is a record of the banking transactions of a customer with a bank. All entries made by a customer in his cashbook (bank column) must be entered by the bank in the passbook.

Hence, the balances as per bank column of the cashbook must agree with the balance as per passbook. Of course the balances will be equal and opposite in nature. For example, if the cash book shows a debit balance of Rs.5000, then the passbook must show a credit balance of



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Rs.5000 and vice versa. But in most cases, these two balances may disagree on account of various reasons.

Format of a Bank Passbook or Bank Statement:

Name of the bank _____

Address of the bank _____

Account No. _____

Customer Name: _____

Address of the customer. _____

| Date | Particulars | Cheque No. | Withdrawals (debits) | Deposits (credits) | Balance | Initials |
|------|-------------|------------|----------------------|--------------------|---------|----------|
| | | | | | | |

Causes for Disagreement:

The major cause for the disagreement is that certain items have been entered in one book only (i.e., cash book or pass book only). In other words certain debits or credits made in one book (say in cashbook) are omitted to be entered in the other book (say in passbook) and vice versa.

Such items may be listed as follows:

1. Cheques sent for collection or deposited into the bank but not yet collected. When a customer deposits cheques into bank, he makes entries (debit bank account) immediately in his cashbook.

But the bank will credit the customer account in the passbook only when the cheques are realized. In that case the balances will disagree and cashbook balance will be more than the passbook balance.



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2. Cheques issued by the customer but not presented to the bank for payment. When a customer issues cheques to his suppliers/creditors, he will enter the transaction (credit bank account) immediately in his cashbook.

But the banker will debit customer account only when the suppliers/creditors present the cheques for payment. Due to this gap, the two balances will disagree and cashbook balance will be more than the passbook balance.

3. Bank charges and interest on overdraft are first debited in the passbook and recorded in the cashbook afterwards. This will cause for the disagreement and cashbook balance will be more than the passbook balance.

4. Interest on bank credit balance and interest on investment, dividends, etc., and bills collected by the bank on behalf of the customer are first credited in the passbook and recorded in the cashbook later on.

This makes the two balances to disagree and cashbook balance will be less than the passbook balance.

5. Items like direct payments made by the bank as per standing instructions of the customer and dishonor of a bill discounted with the bank, etc., are first debited in the passbook and recorded in the cashbook later on. This will make the two balances to disagree and cashbook balance will be more than the passbook balance.

6. Commitment of errors such as errors of omission or commission or in casting, carry forward, balancing, etc either in the passbook or cashbook or in both will cause for the disagreement in these two balances.

Cheque Book:

A book of printed cheques ready for use is called cheque book. A book containing detachable blank cheques and issued by a bank or building society to holders of cheque accounts



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Cheque is a very common form of negotiable instrument. If you have a savings bank account or current account in a bank, you can issue a cheque in your own name or in favor of others, thereby directing the bank to pay the specified amount to the person named in the cheque. Therefore, a cheque may be regarded as a bill of exchange; the only difference is that the bank is always the drawee in case of a cheque. The Negotiable Instruments Act, 1881 defines a cheque as a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand.

From the above definition it appears that a cheque is an instrument in writing, containing an unconditional order, signed by the maker, directing a specified banker to pay, on demand, a certain sum of money only to, to the order of, a certain person or to the bearer of the instrument. The person who draws a cheque is called the 'drawer'. The banker on whom it is drawn is the 'drawee' and the person in whose favor it is drawn is the 'payee'. Actually, a cheque is an order by the account holder of the bank directing his banker to pay on demand, the specified amount, to or to the order of the person named therein or to the bearer.

Various Types of Cheques

A cheque is an unconditional order addressed to a banker, signed by the person who has deposited money with a banker, requesting him to pay on demand a certain sum of money only to the order of the certain person or to the bearer of the instrument.

TYPES OF CHEQUES-

1) Bearer Cheque

Bearer cheques are the cheques which withdrawn to the cheque's owner. These types of cheques normally used for a cash transaction.



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Bearer Cheque

HDFC BANK
Pay **ANKIT SHARMA** Valid for 3 months Only
Rupees **₹ Thirty Seven Thousand Only /-** ₹ 37,000/-
Account No. **XXXXXXXXXXXXXXX** SB AC
Authorized Signatory

2) Order Cheque

Order cheques are the cheques which are withdrawn for the payee (the cheque withdrawn for whose person). Before withdrawn to that payee, banks cross check the identity of the payee.

Order Cheque

HDFC BANK
Pay **ANKIT SHARMA** Valid for 3 months Only
Rupees **₹ Thirty Seven Thousand Only /-** ₹ 37,000/-
Account No. **XXXXXXXXXXXXXXX** SB AC
Authorized Signatory

3) Crossed Cheque

On that type of cheques two parallel lines are made on the upper part of the cheques, then that cheques formed to crossed cheques. This type of cheques payment does not form in cash while the payment of that type of cheques transferred to the payee account and the normal person's account who recommended by the holder on the cheque.



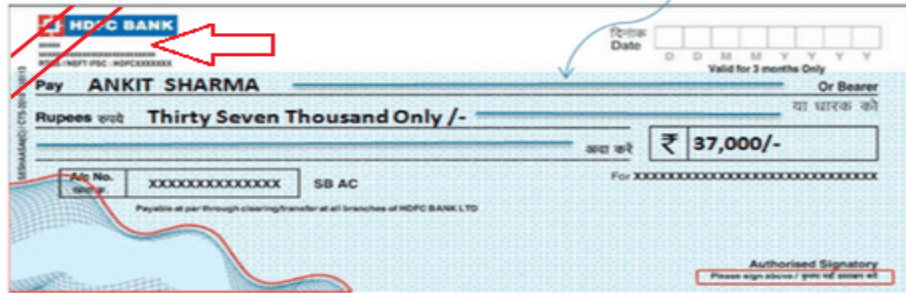
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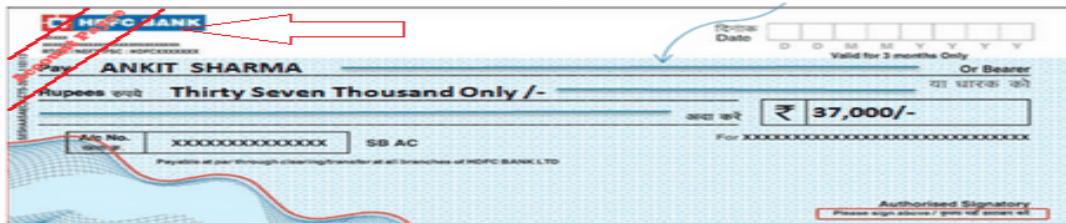
Crossed Cheque



4) Account Payee Cheque

When two parallel lines along with a crossed made on the cheque and the word 'ACCOUNT PAYEE' written between these lines, then that types of cheques are called account payee cheque. The payment of the account payee cheque taken place on the person, firm or company on which name the cheque issue.

Account Payee Cheque



5) Company Crossed Cheque

When two parallel lines along with a cross made on the cheque and the word 'COMPANY' written between these lines, then that types of cheques are called company crossed cheques. Then the type of withdrawn does not take in cash while the person on which the cheque issue, transferred on its account. Normally crossed cheque and company crossed cheque are same.



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Company Crossed Cheque

HDFC BANK
Pay ANKIT SHARMA Or Bearer
Rupees thirty Seven Thousand Only /- या धारक को
₹ 37,000/-
Date 10 03 2017
Valid for 3 months Only
A/c No. XXXXXXXXXXXXXX SB AC
For XX
Authorized Signatory
Please sign above / पर के अग्र से

6) Stale Cheque

If any cheque issued by a holder does not get withdrawn from the bank till three months, then that type of cheques are called stale cheque.

Stale Cheque

HDFC BANK
Pay ANKIT SHARMA Or Bearer
Rupees Thirty Seven Thousand Only /- या धारक को
₹ 37,000/-
Date 10 03 2017
Valid for 3 months Only
A/c No. XXXXXXXXXXXXXX SB AC
For XX
Authorized Signatory
Please sign above / पर के अग्र से

7) Post Dated Cheque

If any cheque issued by a holder to the payee for the upcoming withdrawn date, then that type of cheques are called post-dated cheque.



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Post Dated Cheque

HDFC BANK
Pay ANKIT SHARMA Or Bearer
Rupees रुपये Thirty Seven Thousand Only /- या धारक को
₹ 37,000/-
Date 10/11/2017
Valid for 3 months Only

8) Anti Dated Cheque

If any cheque issue for the upcoming withdrawn date but it withdraw before the date printed on the cheque, then that type of cheques are called anti dated cheques.

Ante Dated Cheque

HDFC BANK
Pay ANKIT SHARMA Or Bearer
Rupees रुपये Thirty Seven Thousand Only /- या धारक को
₹ 37,000/-
Date 12/11/2017
Valid for 3 months Only

8. Open Cheque:

- A cheque that is not a crossed cheque. The person whose name appears on the cheque can write the name of another person on it, and the money will be paid to them.
- An open cheque is a cheque that is not crossed on the left corner and payable at the drawee bank on presentation of the cheque.
- The words **'OPEN'** should not be struck off and the person issuing the cheque should sign on the reverse of the cheque also before giving it to another person; otherwise the bank may refuse payment. The latter can collect the money from any branch of the bank



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nowadays, depending on the bank. S/he should also sign at the back of the cheque while receiving the amount.

9. Crossed Cheque

A crossed cheque is one which has two short parallel lines marked across its face.

- A cheque which carries two parallel transverse lines across the face of the cheque with or without the words “I and co”, is said to be crossed.
- Crossed cheques are of two types. By simply crossing a cheque or with the words “ & Co”, by the payer, the payee can either deposit it in his/her account or endorse it in favour of another person on the reverse. This practice is nowadays not accepted by the banks.
- The advantage of crossing is that it reduces the danger of unauthorised persons getting possession of a cheque and cashing it. A crossed cheque can only be cashed through a bank of which the payee of the cheque is a customer.
- A cheque crossed generally will be paid to any bank through which it is presented.
- A cheque crossed specially will be paid only when it is presented for collection by the bank named between the parallel lines. Such crossing affords a greater measure of protection against loss.

10. Gift Cheques

Gift cheque, it is a cheque fortified in decorative form issued for a small extra charge by the banks for use by customers who wish to give presents of money on special occasions.

Gift cheques may be purchased in unlimited numbers from every branch of the ‘X’ Bank.

Gift cheques may be used to give presents of money as

- Birthday Gift
- Wedding Gift
- Honour Gift
- EASI SMART Gift

Gift cheques are used for offering presentations on occasions like birthday, weddings and such other situations. It is available in various denominations.



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here are a number of reasons why this offline method of payment is still used widely across the globe. It offers benefits to consumers using cheques to make payments however, many business entities do not accept cheques due to high risk of cheque fraud.

Advantages of cheques

The main advantages of using cheques as a way of paying for goods and services are the following;

- Safe: only the named recipient is able to cash the cheque at a bank or other financial institution.
- Trusted: being a method of payment that has been around for generation, people trust this traditional method of payment over online solution at times.
- Batch processed: this allows the costumers to make post dated cheques that grants them time to put funds into their accounts. This is widely used as consumers can make payments for goods and services in advance even if they do not have the funds in their accounts.
- Personalization: companies as well as business professionals are able to personalize and customize cheques according to their companies, incorporating logos, trademarks and designs.

Disadvantages of cheques

Being a traditional form of payment, paper cheques were widely used to pay for large amounts for goods and services. However, due to the development of online payment solutions such as credit cards, debit cards and e-checks, the use of cheques has seen a considerable decrease.

Cheques enable individuals and companies to pay for goods and services over a certain period of time. Each cheque carries a date and it cannot be cashed before this date, thus causing delays in transacting payments. Post-dated cheques are commonly used by many individuals which has lead to many businesses not accepting them.

Additionally, the physical form of a cheque is paper- which can be easily tampered with. This can lead to fraudulent payment transactions which can be a result of identity theft. It is imperative that individuals and companies keep their cheque books in a safe and secure place to avoid fraudsters from cashing their cheques.



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Individuals and companies that wish to offer their customers cheque payments are advised to seek the assistance of a professional consultancy firm. Through the advice and guidance of experienced consultants, you can ensure that you process paper cheques in a secure and timely manner. It is imperative that you understand the logistics of accepting genuine cheques to avoid fraud.

Automated Teller Machine - ATM

What is an 'Automated Teller Machine - ATM'

An automated teller machine (ATM) is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller. Anyone with a credit card or debit card can access most ATMs. The first ATM appeared in London in 1967, and in less than 50 years, ATMs had spread around the globe, securing a presence in every major country and even tiny little island nations such as Kiribati and the Federated States of Micronesia.

The automated teller machine (ATM) is an automatic banking machine (ABM) which allows customer to complete basic transactions without any help of bank representatives. There are two types of automated teller machine (ATMs). The basic one allows the customer to only draw cash and receive a report of the account balance. Another one is a more complex machine which accepts the deposit, provides credit card payment facilities and reports account information.



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BREAKING DOWN 'Automated Teller Machine - ATM'

There are two primary types of ATMs. Basic units allow customers to withdraw cash and receive reports of their account balances only. The more complex machines accept deposits, facilitate line-of-credit payments and report account information. To access the advanced features of the complex units, a user must be an account holder at the bank that operates the machine.

Analysts anticipate ATMs will become even more popular and forecast an increase in the number of ATM withdrawals. ATMs of the future are likely to be full-service terminals instead of or in addition to traditional bank tellers.

ATM Ownership

In many cases, banks and credit unions own ATMs. However, individuals and businesses may also buy or lease ATMs, on their own or through an ATM franchise. When individuals or small businesses such as restaurants or gas stations own ATMs, the profit model is based on charging fees to the machine's users. Banks also own ATMs with this intent, but in addition, the convenience of an ATM is a service banks use to attract clients. ATMs also take some of the customer service burden off bank tellers, saving banks money in payroll costs.



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ATM Fees

Account holders can use their bank's ATMs at no charge, but accessing funds through a unit owned by a competing bank usually incurs a small fee. As of 2017, the average fee to withdraw cash from an out-of-network ATM was \$4.69. Dallas boasted the lowest average ATM fees at \$4.07, while Pittsburgh tended to have the highest average fees at \$5.19.

Using ATMs Abroad

For travelers, ATMs make it simple to access their checking or savings accounts from almost anywhere in the world. When travelers use foreign ATMs, they receive a better exchange rate than they would at most currency exchange offices. Additionally, using an ATM is easier than cashing traveler's checks, and arguably, it makes travel safer, as the traveler doesn't have to carry a lot of cash. However, the account holder's bank may charge a transaction fee or a percentage of the amount exchanged. Most ATMs do not list the exchange rate on the receipt, making it challenging to track spending.

What Are the Functions of ATM

ATM machines are primarily used for withdrawing cash from a bank account. But you can also use many of them to check account balances, get cash advances from credit card accounts, make deposits and even buy postage stamps.

Getting Money from an ATM: Automated teller machines, or ATMs, are a common way to conduct banking business. According to a 2016 Federal Reserve report, 75 percent of Americans with bank accounts use the devices, which you can find in banks, stand-alone kiosks and stores.

Among the most common uses of an ATM is withdrawing cash from a checking or savings account. Generally, to take money out of an ATM, you'll need to insert a debit card provided by your bank, enter a PIN number and indicate how much money you want to withdraw. If you're unsure how much money is in your account, you can usually check your balance from the ATM before making your withdrawal.

Some ATMs charge a fee to withdraw money, including bank-owned ATMs that charge people with accounts from other banks to use them. Some banks charge fees for using ATMs outside of



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their networks, while some banks will reimburse you for fees charged to use ATMS, so it can be helpful to know your bank's policies and in-network ATMs when you need cash.

Making a Deposit: Some banks allow customers to deposit cash and even checks at an ATM. Which ATMs you can use to make deposits, and how much you're able to deposit at a time, can vary from institution to institution. Some ATMs will save photos of the checks you deposit so you can review them later through online banking.

Credit Card Cash Advances: Many credit cards allow their customers to get cash advances through an ATM. There's typically a fee for doing so, and you're usually charged interest as well, since you're essentially borrowing the money from your credit card company. That means taking money out of a checking or savings account is often a better option if you have the funds available. Fees and the amount you're able to borrow vary from credit card to credit card. As with other withdrawals, the owner of the ATM might also charge you a fee.

Buying Postage Stamps: In addition to handling deposits and withdrawals, some ATMs also sell U.S. postage stamps. This can be more convenient than buying them at a post office or store, but you might have to pay a fee beyond the cost of the stamps.

The automated teller machine consists of mainly two input devices and four output devices that are;

Input Devices:

- Card reader
- Keypad

Output Devices:

- Speaker
- Display Screen
- Receipt Printer
- Cash Depositor

Input Devices:

- **Card Reader:** The card reader is an input device that reads data from a card. The card reader is part of the identification of your particular account number and the magnetic strip on



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the back side of the ATM card is used for connection with the card reader. The card is swiped or pressed on the card reader which captures your account information i.e. the data from the card is passed on the host processor (server). The host processor thus uses this data to get the information from the card holders.



- **Keypad:** The card is recognized after the machine asks further details like your personal identification number, withdrawal and your balance enquiry. Each card has a unique PIN number so that there is little chance for some else to withdraw money from your account. There are separate laws to protect the PIN code while sending it to host processor. The PIN number is mostly sent in encrypted form. The key board contains 48 keys and is interfaced to the processor.



Automated Teller Machine keypad



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Output Devices:

- **Speaker:**The speaker provides the audio feedback when the particular key is pressed.
- **Display Screen:**The display screen displays the transaction information. Each steps of withdrawal is shown by the display screen. A CRT screen or LCD screen is used by most of ATMs.



Automated Teller Machine LCD Display

- **Receipt Printer:**The receipt printer print all the details recording your withdrawal, date and time and the amount of withdrawn and also shows balance of your account in the receipt.
- **Cash Dispenser:**The cash dispenser is a heart of the ATM. This is a central system of the ATM machine from where the required money is obtained. From this portion the user can collect the money. The duty of the cash dispenser is to count each bill and give the required amount. If in some cases the money is folded, it will be moved another section and becomes the reject bit. All these actions are carried out by high precision sensors. A complete record of each transaction is kept by the ATM machine with help of an RTC device.



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Automated Teller Machine Cash Dispenser

ATM Networking: The internet service provider (ISP) also plays an important role in the ATMs. This provides communication between ATM and host processors. When the transaction is made, the details are input by the card holder. This information is passed on to the host processor by the ATM machine. The host processor checks these details with authorized bank. If the details are matched, the host processor sends the approval code to the ATM machine so that the cash can be transferred.



Automated Teller Machine Networking

2 Types of ATM Machines

Most of the host processors can support either leased line or dial up machines

1. Leased line ATM machines
2. Dial up ATM machines



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Leased Line ATM Machines:

The leased line machines connect direct to the host processor through a four wire point to point dedicated telephone line. These types of machines are preferred in place. The operating cost of these machines is very high.

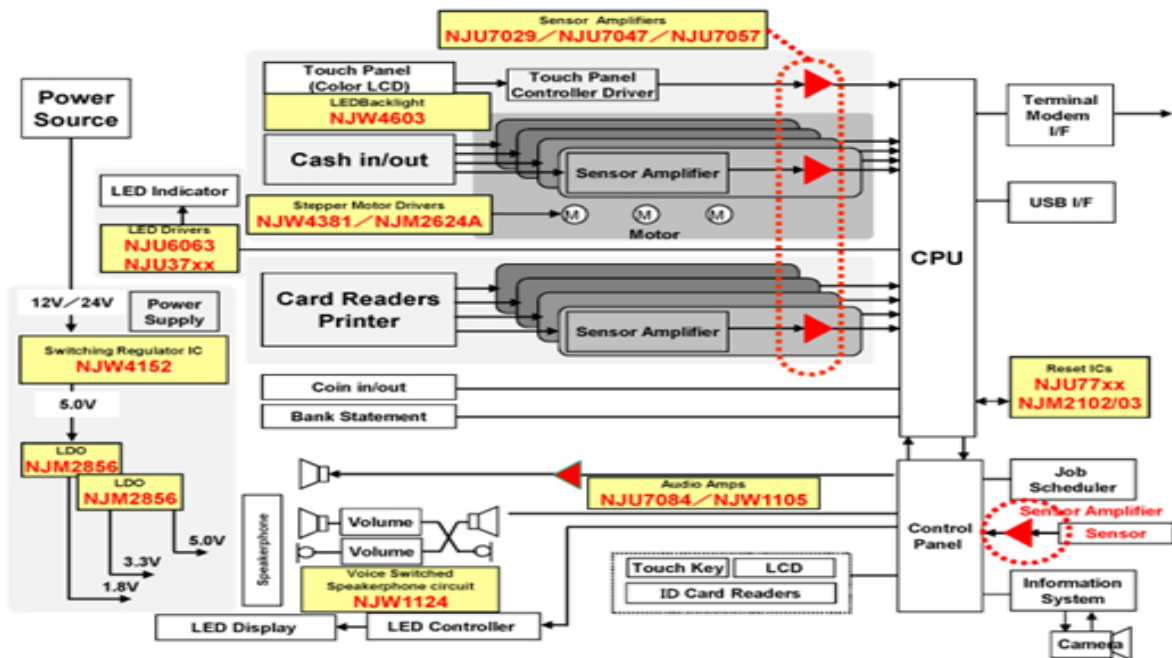
Dial Up ATM Machines:

The dial up ATMs connects to the host processor through a normal phone line using a modem. These require a normal connections their and their initial installation cost is very less. The operating cost of these machines is low compared with leased line machines.

ATM Security:

The ATM card is secured with PIN number which is kept secret. There is no way to get the PIN number from your card. It is encrypted by the strong software like Triple data Encryption Slandered.

Automated Teller Machine Working Principle:



Automated Teller Machine Circuit Diagram

The automated teller machine is simply a data terminal with two input and four output devices. These devices are interfaced to the processor. The processor is heart of the ATM machine. All



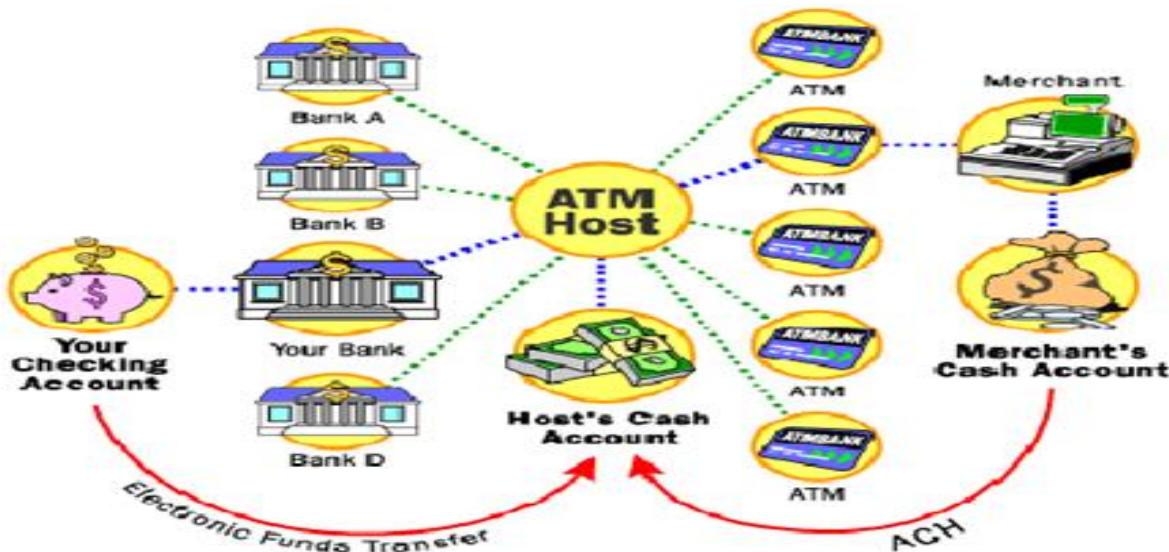
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the ATM machines working around the world are based on centralized database system. The ATM has to connect and communicate with the host processor (server). The host processor is communicating with the internet service provider (ISP). It is the gateway through all the ATM networks available to the card holder.



Automated Teller Machine Architecture

When a card holder wants does an ATM transaction, user provides necessary information through card reader and keypad. The ATM forwards this information to the host processor. The host processor enters the transaction request to the cardholder bank. If the card holder requests the cash, the host processor takes the cash from the card holder account. Once the funds are transferred from the customer account to host processor bank account, the processor sends approval code to the ATM and the authorized machine to dispense the cash. This is the way to get the amount on ATMs. The ATM network is fully based on centralized database environment. This will make life easier and secured the cash.

Advantages of Automated Teller Machine:

- The ATM provides 24 hours service
- The ATM provides privacy in banking communications
- The ATMs reduce the work load banks staff
- The ATM may give customer new currency notes
- The ATMs are convenient to banks customers



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- The ATM is very beneficial for travelers
- The ATM provide services without any error

Features of Automated Teller Machine:

- Transfer funds between linked bank accounts
- Receive account balance
- Prints recent transactions list
- Change your pin
- Deposit your cash
- Prepaid mobile recharge
- Bill payments
- Cash withdrawal
- Perform a range of feature in your foreign language.

Define the term money transfer

The act of transferring money from one place to another place. This may occur electronically or physically. One company which facilitates money transfers is Western Union.

Money transfer generally refers to one of the following cashless modes of payment or payment systems: Electronic funds transfer, an umbrella term mostly used for bankcard-based payments. Wire transfer, an international expedited bank-to-bank funds transfer. Also known as direct deposit.

8 Low-Cost Ways To Transfer Money

8. **Your Bank:** Your bank can assist with many types of funds transfers. If you're simply transferring money from one account to another within the same financial institution, this is something you can easily do at your bank for free. A bank teller can help you set up many other transfer services, including wire transfers to another bank, state or country. If you're looking to transfer funds to an account at a different financial institution, you'll need the account number you'd like to send money to, and the bank's routing number.

Overseas money transfers are possible through your bank as well, though you will often require a lot more information, including the name and address of the account holder, information



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about the financial institution the money is being sent to and the SWIFT or IBAN of the recipient bank. International wire transfers sent in American dollars will cost you around \$45. Funds sent in foreign currencies will cost about \$35. Rates may vary depending upon your bank.

2. E-Transfers: Some financial institutions allow you to transfer money online to another individual, similar to the way you would if you were paying a bill online. These services require the account numbers and bank routing number. For international accounts you'll need a SWIFT or IBAN number. You'll also require the account holder's name as it appears on their account. This can be an especially handy method for transferring funds on a regular basis, as you can set up the frequency of the payment if it will be a regular occurrence. E-transfers are often less expensive than transfers that are done through a bank teller.

3. PayPal: PayPal can be a economical method for transferring money. PayPal allows individuals to transfer funds electronically from one PayPal account to another. It's free to send money through PayPal, though the recipient is charged a fee to cash the payment. For transfers up to \$3,000 USD, the charge is 2.9%, plus \$0.30 per transaction. Fees decrease slightly for larger transactions. International transaction fees tend to be about 1% higher, and keep in mind that you'll be charged an exchange rate on transfers made in international funds.

4. Western Union or MoneyGram: Western Union and Money Gram provide similar services that allow you to transfer money to a different city, state or country. They charge a flat rate for the transfer that is based on the speed of the transfer, the location you're sending money to and the amount of money you are sending. If you're doing an overseas or international transfer, you'll also be charged an exchange rate. These money transfer services don't generally offer a very competitive exchange rate, which results in a hidden charge if you transfer money using this method. However, one of the major benefits of these services is that they tend to be both highly dependable and convenient.

As an example of fees, a \$200 transfer through Western Union to a location within the United States or Canada will cost you around \$12 in fees for a rapid transfer and \$8 for a next-day transfer. A transfer to the United Kingdom will cost you around \$22 if done through an agent of Western Union, and \$15 if done online.

5. Cash : Though this may be considered the "old-fashioned way" when it comes to transferring



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money, this option can be extremely practical in some circumstances. For occasions where time is not the most important consideration, simply withdrawing cash and physically bringing it to another bank to deposit into an account is completely free! Keep in mind that sending cash through the mail is discouraged. If the mail gets lost, there is no way to retrieve the money.

6. Personal Checks: Writing a check and depositing it into another account, handing it to another individual or sending it by mail to a recipient in a different city or state is another affordable choice - especially if your bank offers free checking.

Things get a bit trickier when sending checks internationally. Sending a check overseas that's written in American dollars will often result in delays in cashing the check so that the bank can verify the deposit, and some banks may not even accept foreign checks. The recipient of the check may also have to pay a fee for cashing it and cover the exchange rate to have the funds exchanged into the local currency. This method is safer than cash for sending by mail because you can cancel a check if it doesn't arrive at its destination.

7. Bank Drafts, Money Orders and Cashier's Checks: These methods for money transfer are often great choices when it comes to physical transfers that are being sent in foreign currencies. You can purchase bank drafts and money orders in the currency of the location you're sending money to. Inexpensive money orders can be purchased through many post office branches. These money orders will often be less expensive than those purchased through a financial institution, running anywhere between \$3 and \$9. Money orders purchased through a bank often cost about \$10.

Money orders are typically used for smaller amounts than bank drafts. Because of this, the cost of purchasing a bank draft is often higher than for purchasing a money order. Though these forms of money transfer may take more time, they tend to be a more economical choice than services like wire transfers - and they are traceable in case they don't arrive at their destination.

8. Email Money Transfers: Some financial institutions, especially some of the larger Canadian banks, offer an email money transfer service. This form of money transfer functions like an electronic check. The funds are not physically transferred by email, though the transaction is initiated by email and the recipient is notified by email that the funds are available. You don't require the recipient's bank account number, though a security question is generally required



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to identify the recipient before they can retrieve the funds.

Transferring funds through email money transfer generally comes with a nominal cost of a couple of dollars, which makes this a cheap option if it's available to you. Receiving funds by this method is typically free. This service is also quite reliable and fast, generally only taking a few days to arrive in the recipient's account. Just be cautious that you only accept email transfers from individuals you know so that you're not falling victim to phishing scams.

Advantages of Money Transfers

The ability to transfer cash between accounts is very useful, whether you are transferring money from a checking to a savings account or sending money to pay monthly bills. Being able to make instant payments whenever you need to carries a number of advantages over writing checks and waiting for them to clear.

Speed: The speed of the transaction is one of the most significant benefits to money transfers. Unlike checks, which can take a week or more to be received and processed, a money transfer can be initiated instantly and processed within a day or two. The speed of the money transfer transaction makes it much easier to manage your finances and pay your bills on time. This in turn can help you avoid late charges and other fees that could result if your payments were sent the old fashioned way.

Security: Sending a check in the mail can be risky. There is always the possibility that the check will be lost or stolen as it makes its way from your mailbox to the recipient. If the check is lost in the mail, you could face late fees while you try to convince your creditors that you did in fact make your payment on time. If the check is stolen, the thieves gain access to your routing number and account number, and with that information they can potentially drain your bank account. Using cash transfers instead of checks prevents these problems and gives you instant confirmation that your payment was made.

Flexibility: Bank account holders can easily set up several different external accounts, and use those accounts to move money back and forth at will. While the initial process of setting up and verifying each account can take a few days, once the account is set up, the transfer can be initiated in a matter of minutes. This makes it easy to move money around when necessary to



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make a major purchase, take advantage of higher interest rates or make sure funds are available in the case of an emergency.

Good exchange rates: Users can get the benefits of prevailing exchange rates of the country and also the bank.

Low transfer charges by the bank

Direct facility of debit and credit: Electronic payments reduce paper money and cheques as one can pay in shopping or bills by plastic cards that help in money transfer. This reduces the strain to carry paper money in pocket. Debit card will directly take out the required money from your bank account for which transaction has been made.

Disadvantages of Money transfer.

A) Compulsory transfer fees by online services

Sometimes, online services take the advantage of having their monopoly and charge some transfer fees in return of money transfer. Since online services are fast, one is bound to give them the fees

B) No guarantee of secured data of credit and debit card transactions.

Sometimes hackers might infiltrate by latest software into the machines of debit and credit cards and take out important pin or passwords and use it against you.

C) Danger of hacking of bank accounts and passwords

The hackers can infiltrate into bank account softwares and websites and take your account data and passwords and use it against you.

D) Occasional case of technical difficulties.

E) Accounts can be frozen by authorities for months if they suspect fraud

So we have seen here that money transfer has its own advantage and disadvantage, but ultimately it can be used more for its advantages.