# An Internship report

On

Cash Management System of National Bank Ltd - A Study on Burimari Branch, Lalmonirhat.

Prepared by

Md. Ferdaus Alam

Major in Finance

ID. 130502011

Bacth: 02, Semester: V

Faculty of Business Studies

Hajee Mohammad Danesh Science & Technology University, Dinajpur

This report as submitted to the Faculty of Business Studies Haze Mohammad Danesh Science & Technology University as a partial Requirement for the fulfillment of Degree of Master of Business Administration (Evening) Program.

Prepared Under the Supervision of

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Hajee Mohammad Danesh Science & Technology University, (HSTU), Dinajpur-5200.

DEDICATED TO

MY BELOVED

PARENTS,

HONORABLE

TEACHERS

# ACKNOWLEDGEMENT

As a student of MBA (Evening) Program, Internship is one of the most important partial requirements of the total courses of the MBA (Evening) Program. In this regard I would like to thank all the faculties of HSTU who helps me to finish my courses.

This is a synopsis of my recent study on “Cash Management of National Bank Limited.” as a part of the internship program. At the beginning I want to remember almighty Allah for giving me the opportunity, strength to do this work smoothly & blessings for our success.

I would like to thank my honorable teacher Saiful Islam, Assistant Professor, Dept. of Accounting, Faculty of Business Studies, HSTU, Dinajpur, Bangladesh for helping me to prepare the report. I will remain indebted to him for the valuable suggestions and the time he has given in supervising my work on report.

I was placed in Burimari Branch of National bank limited to work as an intern. The members of National Bank Ltd. management were very co-operative and helpful. They helped me through providing various data, guidance and direction. I am especially grateful to Md. Yusuf Ali, SEO; Md. Delowar Hossain SEO; Md. Asharaful Haque FEO of Burimari Branch,National Bank Limited for their cooperation and necessary support.

I am also grateful to all other employees of the department for their support and assistance. I humbly appreciated the patience of the entire individual at National Bank Ltd who spent their time in making me adapt quickly to the environment of the bank.

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# Executive Summary

The report is originated in result of my internship, which I have done, as a requirement of MBA program. This report is done based on my three months internship in National Bank Limited.

During my stay at the office as an internee I never felt vague and ambiguous. The environment of the National Bank Ltd. is well and friendly. The staffs are specialized in their respective fields. Each of them works on their own and there id supervised from the top management. The motivation of the staff, I believe comes from the very sense of responsibility.

The National Bank Limited is one of the leading public Banks operating in Bangladesh. All the aspects of Cash Management of NBL Like; rules, regulations activities, approval processes of Cash have been attached to this report.

However, I've done lots of financial calculations, observed their financial reports & from my working experience I also gathered knowledge about their administrative process of managing different issues. After preparing the whole report, I had some findings regarding the Cash Management Policy and Performance Analysis of National Bank Limited. As an inexperienced person I may have made many mistakes in those findings, but whatever I felt from my point of view, I only pointed out those. Based on those findings, I recommended some points which may help the bank to remove their many shortcomings.

Md. Ferdaus Alam

Major in Finance

ID. 130502011

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# LETTER OF TRANSMITTAL

May, 2016.

Saiful Islam

Assistant Professor

Department of Accounting

Faculty of Business Studies.

Hajee Mohammad Danesh Science & Technology University, (HSTU)

Dinajpur-5200.

**Subject: Submission of Internship Report.**

Dear Sir,
I am truly pleased to submit my internship report on the "Cash Management of National Bank Limited." I have gathered what I consider to be the most complete information available. This report gave me the prospect to have a brief knowledge about the Cash Management of National Bank Limited. It is a great achievement to work under your active supervision, care and guidance.

I tried my best to incorporate all the information that I have collected during the internship period. I wish the report would fulfill your expectation and standard. I must mention here that, I am extremely grateful to you for your valuable supervision, tireless effort and continuous attention in preparing this report.

I, sincerely hope that you will be satisfied with this report. If you have any query, I will be pleased to answer that. I hope and pray that you would be gracious enough to accord approval to this report.

With best regards
Yours Sincerely,

Md. Ferdaus Alam

Major in Finance

ID. 130502011

Bacth: 02, Semester: V

Faculty of Business Studies

Hajee Mohammad Danesh Science & Technology University, Dinajpur

# Declaration of Supervisor

This to certify that Md. Ferdaus Alam is a student of MBA (Evening), ID: 130502011 Who has successfully completed her internship program entitled "Cash Management System of National Bank Ltd - A Study on Burimari Branch, Lalmonirhat under my supervision as the partial fulfillment for the award of MBA ( Evening) degree. He has done his job according to my supervision and guidance. He has done her job according to my supervision and guidance. He has tried her best to do this successfully. I think this program will help his in the future to build up his career.

I wish his success and prosperity.

Saiful Islam

Assistant Professor

Department of Accounting

Faculty of Business Studies.

Hajee Mohammad Danesh Science & Technology University,

Dinajpur-5200

# Co-Supervisor's Declaration

I hereby declare that Md. Ferdaus Alam is a student of MBA (Evening), ID: 130502011 have submitted her internship report entitled "Cash Management System of National Bank Ltd - A Study on Burimari Branch, Lalmonirhat after completing her internship program under my co-supervision. This report has been submitted in partial fulfillment of the requirement for the degree of Master's of Business Administration (MBA) at Hajee Mohammad Danesh science and Technology University, Dinajpur.

I wish his success and prosperity.

Md. Mamunar Rashid

Associate Professor

Department of Accounting

Faculty of Business Studies.

Hajee Mohammad Danesh Science & Technology University,

Dinajpur-5200.

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**Introduction:**

Cash management is a broad term that covers a number of functions that help individuals and businesses process receipts and payments in an organized and efficient manner. Administering cash assets today often makes use of a number of automated support services offered by banks and other financial institutions. Services range from simple checkbook balancing to investing and using software that allows easy, automated cash collection. Proper management of company funds requires those in the finance department to be extremely literate regarding the different strategies and tools available. Technology is drastically changing how businesses manage their funds, streamlining processes.

If at any time, because of a lack of cash, a corporation fails to pay an obligation when it is due, the corporation is insolvent. Insolvency is the primary reason firms go bankrupt. Obviously, the prospect of such dire consequence compels companies to manage their cash with care. Moreover, efficient cash management means more than just preventing bankruptcy. It improves the profitability and reduces the risk of the firm.

Cash management has changed significantly over the past two decades for two reasons. First, from the early 1970s to the late 1980s, there was an upward trend in interest rate that increased the opportunity cost of holding cash. This encouraged financial manager to search for more efficient ways of managing cash. Second, technological developments, particularly computerized electronic funds transfer mechanism changed the way cash is managed

# Overview of National Bank Limited

## 2.1 Profile of NBL

Corporate Governance of National Bank is defined as the Framework by which the Bank is directed and controlled and the relationships between the management, the board of Directors, shareholders and other stakeholders, such as employees, clients and lenders. Among stated owned giants, National Bank is one of the largest Private Bank in Bangladesh. National Bank Estate in 26th March 1983.

**Mission:**

Efforts for expansion of our activities at home and abroad by adding new dimensions to our banking services are being continued unabated. Alongside, we also putting highest priority in ensuring transparency, accountability, and improved clientele service as well as to our commitment to serve the society, through which we want to get closer and closer to the people as a caring companion in uplifting the National economic standard through continuous up gradation and diversification of our clientele services in line with national and international requirements is the desired goal we want to reach.

**Vision:**

Ensuring highest standard of clientele service through best application of latest information technology, making due contribution to the national economy and establishing ourselves firmly at home and abroad as a front ranking bank of the country is our cherished vision.

## Objective of the bank:

1. To be the leading bank in Bangladesh.
2. To expand the customer services by the development of IT-based transformation processes.
3. To ensure high quality financial products to the customer.
4. Create employment and poverty alleviation through financing schemes
5. Special credit and micro credit to emphasis SME sector
6. Establishing financial women enterprise
7. Broaden cyber cafe loan.

**Strategies of National Bank Ltd**: "Customer relationships are key to our strategy and important for all our business. The significant differences across the divisions/businesses mean financial and non-financial strategic indicators for the development of customer relationships are tracked at a divisional level and commentary is included in the specific divisional commentaries"

Our Strategy supports the Bank's vision of being making due contribution to the national economy and establishing ourselves firmly at home and abroad as front ranking Bank through providing best financial services. The strategy is focused on being

a more conservative, through the cycle relationship based business. We are a well diversified financial services Company and have largest branch network and to provide banking services among the corporate, retail & SME sectors. We have leading positions in many of the markets in which we participate specially SME and Agri sector, a market leading distribution capability, well recognized brands and a large customer base are the main drivers. The scale of the organization provides us with the opportunity to further invest in products and services, systems and training that combined will offer unparalleled choice and service to our customers.

# Roles of Bangladesh Bank:

## Note Refund Regulation 2012.

## Note Refund Regulation:

1. **Definition: Types of Defective/Imperfect Notes**:

a) **Altered Note**:- means a note in which an alteration has been made in the number, signature or value or in any other respect;

b) **Half Note**:- means half of a note which has been divided vertically or horizontally through or near the centre. A note formed by joining one half, which is identifiable, to another half, which is not identifiable as belonging to the note to which first mentioned half belongs, will not be accepted as a single note but will be treated as two half notes;

c) **Mismatched note**:-means a note formed by joining a half note of one note to a half note of another note;

d) **Mutilated note**:- means a note of which a portion is missing or a note which is composed of pieces, provided that the note presented is clearly more than half a note in area and that if the note is composed of pieces of a note joined together, each piece is, in the opinion of the Prescribed Officer, identifiable as the part of the same note;

e) **Obliterated note**:- means a note, not being a mutilated or altered or mismatched note, which has become or has been rendered fully or partially undecipherable;

f) **Charred Notes**:- means a note which is burnt or having sign of burn partially or wholly;

g) **Damp Note**:- means a note which is wet partly or fully, or so weak that the notes(s) can be easily broken or torn when counted or handled;

h) **Deformed and Decomposed Note**:- means a note which has been deformed or disfigured or vitiated or decomposed by anyway or by writing with ink or other materials on the note(s);

i) **Number**:- includes the letter(s) and number(s) denoting the series to which the note belongs;

2. **General Provisions in relation to all claims**: Notes not to be refunded:- No Claim shall be entertained in respect of a note:-

(i) Alleged to have been lost, stolen or wholly destroyed.

(ii) Unless is identified as a genuine note.

(iii) Which has been deliberately cut, torn, defaced, altered or dealt with in any other manner, not necessarily by the claimants, enabling the use of the same for making of a false claim under these regulations or otherwise to defraud the Bank or the public.

(iv) Which carries any extrinsic words or visible representations intended to convey or capable of conveying any message of a political or religious character or furthering the interest of any person or entity.

(v) Which appears to have been cancelled at any office of BB or the claim is one which appears to have already been paid under these regulations, after making enquiries under regulation 6 of these regulations, reject the claim on such note.

(vi) If any information called for by the Prescribed Officer or the Bank, as the case may be, is not furnished by a claimant within a period of three months from the date of receipt of the notice or the letter asking for the information.

(vii) Any claim was not made by the claimant within 12 months of the time when it might first have been made by him.

(viii) Unless the single largest piece of the note presented is more than 50%

(ix) The half notes in not entire and does not bear the number & all the essential features of that half.

(x) An altered, mismatched or fully obliterated note.

(xi) A damp note and partially obliterated note shall be rejected unless the Prescribed Officer is satisfied as to the identity and genuineness of such note.

(xii) A forged/fake or has been deliberately cut, torn, defaced, altered or dealt with in any manner with a view to establishing a false claim.

Note Refund: some important Issue:

3. **Presentation of claims and disposal thereof**: A claim in respect of a note may be presented at the Office of Issue or any other Office of the Bank. The claim shall be settled by the office of the Bank where the note is stamped with the word. The claim shall be disposed of within eight weeks.
4. **Inquiry of claims**: The Prescribed Officer may, if it is considered necessary so to do, call for any information or hold any inquiry relating to any claim presented before him under these regulations, and where the genuineness of the note is doubtful, he may if considered necessary send such doubtful note for expert opinion to the Security Printing Corporation Bangladesh Limited for this Purpose.
5. **Time limit to claims**: If it appears to the Prescribed Officer, enjoying powers under these Regulations to entertain the claim, that any claim was not made by the claimant within 12 months of the time when it might first have been made by him, the Prescribed Officer shall not entertain the claim.
6. **Disposal of claim concerning half note**: Half the value of half note shall be paid if the number of the note is identified on the half note and the half note is entire and has not been divided and bears all the essential features of that half.
7. **Disposal of mutilated note(s)**: No Claim in respect of a mutilated note shall be entertained unless the single largest piece of the note presented in more than 50% the payment shall be made in the following manner, namely:

    (i) Full value shall be payable if the area of the note presented is more than 90% of the respective denomination.

    (ii) Proportionate value shall be payable if the area of the note presented is more than 50% and less than or equal to 90% of the respective denomination as under:

| Area of the note of respective denomination | Payable value of the note of respective denomination |
|---|---|
| 51%-75% | 50% |
| 76%-90% | 75% |

8. **Disposal of fraudulent claims**: If a note or any portion of a note is a forged/fake or has been deliberately cut, torn, defaced, altered or dealt with in any manner with a view to

establishing as false claim under these Regulations or otherwise to defraud, notwithstanding anything to the contrary in any of these Regulations, shall be rejected.

9. **Retention and destruction of notes**: Notwithstanding the denomination of a note or the decision of the Prescribed Officer on the claim, a note Presented before the Prescribed Officer for the purpose of making a claim shall be retained and destroyed or otherwise disposed of by the Bank in the following manner, namely-

   (a) In the case of a note in respect of which full payment is made, at any time after the payment; and

   (b) In the case of a note in respect of which no payment is made, or on which half value payment has been made, on the expiry of a period of three months from the date of the decision rejecting the claim or to pay half-value, as the case may be, unless within this period, an order from a competent Court or any Appellate Authority is submitted to any office of the Bank restraining the Bank from destroying or otherwise disposing of the said note.

10. **Appeal for Claim**: A claimant aggrieved by the decision of the Prescribed Officer may file an application to the Appellate Authority for reconsideration of his/her claim within a period not exceeding three months from the date of decision of the Prescribed Officer.

11. **Procedure when payee is untraced**: Where, as the result of a claim under these Regulations, the value of the note(s) is payable to a claimant, and such claimant, or if he/she is dead, his/her legal representative cannot be found or fails within a period of three months from the date of communication to him/her of the decision, to take steps to receive payment, the amount payable shall be paid by the Issue Department of the Bank of the Banking Department of the Bank.

## WHAT IS 'CASH'

Cash is legal tender or coins that can be used to exchange goods, debt or services. Sometimes it also includes the value of assets that can be converted into cash immediately, as reported by a company.

## BREAKING DOWN 'Cash'

Cash is also known as money, in physical form. Cash usually includes bank accounts and marketable securities, such as government bonds and bankers acceptances. Although cash typically refers to money in hand, the term can also be used to indicate money in banking accounts, checks or any other form of currency that is easily accessible and can be quickly turned into physical cash.

Cash in its physical form is the simplest, most broadly accepted and reliable form of payment, which is why many businesses only accept cash. Checks can bounce and credit cards can be declined, but cash in hand requires no extra processing. However, it's become less common for people to carry cash with them, due to the increasing reliance on electronic banking and payment systems.

In finance and banking, cash indicates the company's current assets, or any assets that can be turned into cash within one year. A business's cash flow shows the net amount of cash a company has, after factoring in both incoming and outgoing cash and assets, and can be a good resource for potential investors. A company's cash flow statement shows all incoming cash, such as revenue, and all outgoing cash, used to pay expenses such as equipment and investments. To learn more about cash flow, what it means for businesses and how companies utilize cash.

**Historical forms of Cash:**

Cash has been used as long as goods and services have been traded, and its form depends on the culture in which it operates. Many civilizations over the last four thousand years used coins struck from precious metals including copper, bronze (an alloy of copper and tin) silver and gold as cash, though other civilizations used sea shells or commodities of weight, including salt and sugar.

In modern times cash has consisted of coins, whose metallic value is negligible, or paper. This modern form of cash is fiat currency.

Paper money is a more recent form of cash, dating back to around the eighteenth century, and its value is set by its users' faith in the government backing the currency. This ability to determine price has extensive effects on an economy. It can affect inflation, or the rate at which prices rise for goods and services. The more prices are inflated, the less purchasing power each paper note or coin holds. Inflation can cause all kinds of problems for an economy that doesn't yet understand the concept; in general, it's good practice to keep inflation to a minimum and avoid deflation entirely. Deflation is the opposite of inflation, the lowering of prices, and often leads to economic depressions.

The advent of checks, debit cards, credit cards, and (most recently) online banking has decreased the need for people to carry cash in any form.

**Definition of Cash management:**

Cash management is a set of strategies or techniques a company uses to collect track and invest money. Although cash by definition refers only to paper or coin money, in cash management, companies usually also work with cash equivalents such as checks. This is becoming increasingly common as the money system becomes more abstract, using electronic methods.

**Purpose:**

In general, small businesses do not always have the ability to obtain the credit they might need. They have to rely more on their own money to meet expenses. Even in a large business, costs might come up that are not expected. Being unable to handle these situations puts a company at risk for loss of revenue or, in the worst case scenario, going out of business.

**Components of Cash Management:**

Businesses commonly face issues with slow movement of funds, long-drawn reconciliation processes, locked working capital, and loss of float income. Hence there are certain fundamental requirements for efficient cash management, including control over receivables and payables, visibility on cash positions, among others. And to address these needs of corporate customers, banks widely offer cash management services comprising the following:

**1. Account Reconciliation:**

Managing cheques, monitoring their clearance, and Cash Management- An Insight keeping track of the true cash balance can be an overwhelming task for businesses because of the huge number of cheques that are processed on a daily basis. Hence banks offer account reconcilement services wherein corporate customers can upload details about the cheques issued on a daily basis. And at the end of the month, the bank statement shows information on cheques which have been cleared and those which have not. This system is also helpful in the process known as 'positive pay', used by banks to prevent cheques from being fraudulently cashed if they are not on the list.

**2. Cash Concentration:**

This is a quick and cost-effective method of moving funds from different accounts spread across the country to a single monitored and managed account. This allows businesses to maximize the use of available cash, and to optimize returns on consolidated balances.

**3. Financial Risk Management:**

Risk management is the process of measuring risk, and developing and implementing strategies to manage and mitigate risk. Financial risk management plays an important role in cash management, because it focuses on managing risks in relation to changes in interest rates, commodity prices, stock prices, exchange rates, among others.

**4. Liquidity Management:**

Forecasting the cash needs of a business is essential for managing cash flows, short-term borrowings, among others. in an efficient manner, in order to ensure that such cash needs can be met if and when they arise. This requirement is addressed through liquidity management services offered by banks. Liquidity management comprises of activities that release the investments locked in working capital, enabling it to contribute to higher profits. It also refers to the specific services provided by banks to enable their customers optimize their interest revenues and reduce interest costs.(an insight)

**Float: The most critical component in Cash Management:**

Float is the time interval between the start and completion of each step in the cash management cycle. The management of float is the management of cash. Each cash management system is designed to improve the flow of cash by accelerating the collection of funds and extending the disbursement float. There are two categories of Float:

- Collection Float and
- Disbursement Float

Each with several components:

**Collection Float:**

Collection Float is the time spent to collect receivables. Collection float is the sum total of time taken by the following four components:

1. Invoicing float:

Invoicing float is the time period between the delivery of goods or services to the customer and the customer’s receipt of the bill, generally by mail. It is the time it takes a company to record its delivery of service or goods and then to produce and mail a bill. Typically, the cash manager has little control over this function, although it is generally the Collection Float component with the longest duration. Cash managers have focused almost exclusively on the remaining three components.

2. Mail float is the time it takes the U.S. Postal Service to deliver the customer's payment.

3. Processing float is the period between the receipt of the payment and its deposit into the company's bank account and includes the time it takes to record the payment in the accounting system.

4. Availability float is the time it takes the deposited check to clear the customer's account and for good funds to be available to the company for disbursement.

As early as 1947, RCA set up a lockbox collection arrangement to accelerate the receipt and processing of payments. The objective was to shorten the float for mail, processing, and availability. Current lockbox services and products still concentrate on these areas.

**Disbursement Float:**

Disbursement Float is the time it takes a company's payment to be created, mailed,

Received, deposited and presented to the drawer bank for settlement. Thus collection float and disbursement float refer to the same processes and time intervals depending on point of view: For the company receiving a payment, collection float represents the time it takes an invoice to be prepared, to reach the customer, to receive payment and for the payment to clear the bank.

For the company making the payment, that same interval is disbursement float. Disbursement float consists of the following four components:

1. Invoicing and payment processing float includes both the time it takes the supplier to prepare and send the invoice, as well as the time the accounts payable department requires to process the invoice and create the payment.

2. Mail floats the time it takes the U.S. Postal Service to deliver the payment to the vendor.

3. Processing float is the time it takes the vendor to record the payment and deposit it into the bank.

4. Availability float is the time it takes the bank to clear the check and deduct the funds from the payee's bank balance

**The major elements of cash management are:**

**Deposits:**

Receiving funds and depositing receipts into the bank account as quickly as possible, while collecting adequate information to correctly identify the source of the payment.

**Concentration:**

Moving funds to a central location from which they are more efficiently managed for investing and disbursing.

**Disbursement:**

Paying funds by check or electronically to vendors, employees, investors, and others.

**Information gathering, analysis and control:**

Reporting funds information, including: current cash position, forecasted shortages and surpluses, cost-benefit of proposed changes in cash management operations or outsourced services, interest rate or foreign currency risk exposure, and many other monetary circumstances which affect corporate resources.

**A cash manager's duties typically include:**

• **Monitoring the daily cash position**:

On a daily basis, the cash manager typically spends the first part of the day developing the cash position. This exercise identifies shortages and surpluses in time to either borrow funds to cover the shortfall or invest excess funds. The cash manager first confirms the prior day's closing balance, typically using on-line or Internet bank reporting. Forecasted and scheduled disbursements, receipts, loan repayments, and maturing investment proceeds are then added and subtracted to calculate the day's cash flow. The cash manager also typically administers the credit facility borrowing on a day-to-day basis. This daily reconciliation process also provides an effective method of immediately revealing unauthorized or fraudulent transactions.

• **Controlling balances on deposit**:

The cash manager maintains bank balances at a level adequate to avoid overdrafts and to compensate the bank for cash management services. Short-term borrowing may be necessary to meet the required balances. Excess funds are typically invested, short-or long-term, until they are required to cover capital or operating expenditures.

• **Moving funds as necessary:**

The cash manager may control several different bank accounts, perhaps in different states or even foreign countries. The transfer of monies from one account to another is often a daily exercise to prevent cash shortages in the accounts and to promptly invest surpluses.

• **Managing short-term (working capital) borrowing and investing**:

Whether a company is an overall investor or borrower, the unsynchronized timing of operating cash flows requires the cash manager to be both a borrower and an investor. On any given day, the cash manager may borrow to meet short-term cash requirements or invest surplus cash.

• **Forecasting future shortages and surpluses**:

To determine the amount and various maturities of the investment portfolio, the cash manager must predict future cash flows. Investing for a shorter period than necessary usually results in lost earnings; and investing for too long may cause premature security sales at a loss if funds are needed before maturity. Forecasting also allows the cash manager to plan for an adequate level of short-term credit facilities.

• **Managing banking relationships**:

The cash manager maintains a mutually beneficial relationship with the company's bankers. If the cash manager develops an open and straightforward relationship, the banker can develop a good understanding of the company's operations and can bring relevant banking products and services to the attention of the cash manager.

**• Performing analytic reviews and feasibility studies of banking services**:

The cash manager is the employee with primary responsibility for evaluating the benefits and drawbacks to adding new or terminating existing banking services. A company selects a bank that offers reliable, cost-effective services. The cash manager is responsible for monitoring the bank's services and fees to ensure that the arrangement remains satisfactory and that pricing is contractually accurate.

• **Analyzing, designing and implementing cash management systems and procedures:**

Through the day-to-day tasks involved in their job, cash managers know system requirements to carry out cash management efficiently. Cash managers have a professional responsibility to keep up-to-date on developments in cash management products and practices by attending conferences, reading journals, and other networking and continuous learning activities. While growing professionally, the cash manager acquires and updates the skills and knowledge necessary to implement the cash management systems and procedures best suited to the company objectives.

**Development of Cash management:**

Cash management in the U.S. has been shaped by the structure of the domestic banking system, the U.S. Postal Service, and the prevalent use of checks for payment. The U.S. is unique in its large number of banks with limited national branch banking and its convention of bill payment primarily by check through the U.S. mail. Legislative and regulatory influences have also played a major role in the development of current cash management practices and continue to do so today.

Modern cash management can be traced back to 1947, when the Radio Corporation of America (RCA) set up a lockbox collection system for dealers to deposit payments to RCA for loans to finance inventory. Payments were mailed to a special post office box set up exclusively for these payments. The bank collected the mail directly from the post office box and deposited the checks directly into RCA's bank account.

Cash management responded to rising interest rates in the 1960s and '70s by becoming increasingly sophisticated. Corporations recognized cash as an asset able to generate income and saw that there could be a monetary return for actively managing cash. Many of the banking products used by cash managers today were developed during this period of runaway inflation: controlled disbursement, funds concentration, real-time transaction reporting, and electronic payments.

Later, financial markets erupted with innovative instruments and products. The introduction of Negotiable Certificates of Deposit (CD) was the result of banks managing their assets and liabilities more aggressively. A secondary market for trading these instruments quickly developed as corporate treasurers realized they could invest otherwise idle bank deposits in these relatively risk-free instruments and, if necessary, have access to the funds before maturity. Cash managers were offered many new investment options, including bankers acceptances, repurchase agreements, and commercial paper. The explosion of desktop computing in the 1970s and '80s, coupled with corporate computer applications development, made a major impact on cash management. Cash managers could now easily concentrate bank balances into a central account by electronic funds transfer, retrieve information automatically from banks on a timely basis, and perform transactions in real time and on-line. The electronic spreadsheet streamlined the generation of cash position reports and analytical tasks such as cash forecasting, which provided management critical information for strategic planning.

In the 1990s, the financial environment turned its focus to risk management: bank creditworthiness, payments system risks, and use of derivatives to hedge against financial risks more precisely. Security concerns generated a flurry of legislative and regulatory activity. At the beginning of the 21st century, cash management has developed a global emphasis, as the world's capital markets become more closely

Aligned and local economies have become so broadly international. Technology, including the Internet, is now used extensively in cash management in most enterprises. Technological enhancements have led corporate management to expect even more from their treasury departments. The efforts toward benchmarking, re-engineering, and outsourcing that began in the late 1990s continues to gain momentum.

**Effective cash management:**

Effective cash management encompasses proper management of cash inflow, and outflows, which entails (1) improving forecasts of cash flows, (2) synchronizing cash inflows and outflows, (3) using floats, (4) accelerating collections, (5) getting available funds to where they are needed, and (6) controlling disbursement. Most businesses are conducted by large firms, many sources and make payments from a number of different cities or even countries. For example, companies such as IBM, General Motors, and Hewlett-Packard have manufacturing plants all around the world, even more sales offices, but most of the payments are made from the cities where manufacturing occurs, or else from the head office. Thus a major corporation might have hundreds of bank accounts, and since there is no reason to think that inflows and outflows will balance in each account, a system must be in place to transfer funds from where they come into where they are needed, to arrange loans to cover net corporate shortfalls, and to invest net corporate surpluses without delay.

We will discuss how floats can be effectively managed to accomplish these tasks.

**FLOAT:**

The efficiency of the firm's cash management program can be enhanced by the knowledge and use of various procedures aimed at

a. Accelerating cash inflows, and
b. Controlling cash outflows

With reference to the control of inflows and outflows, float is an important technique to reduce the length of the cash cycle. When a firm receives or makes payments in the form of Cheque etc., there is usually a time gap between the time the Cheque is written and when it is cleared. This time gap is known as float. The float for the paying firm referees to time that elapses between the point when it issues a Cheque and the time at which the funds underlying the Cheque are actually debited in the bank account. For the payee Firm, float refers to the time between the receipt of the Cheque and the availability of the funds in its account. So, float denotes the funds that have been dispatched by a payer (the firm making the payment) but are not in a form that payee (the firm receiving the payment) can spend. The float also exists when a payee has received funds in a spendable form but these funds have not been withdrawn from the account of the payer.

To get an idea of the float mechanism and its utility in the management of cash inflows and outflows, one must know the related banking procedure. When a Cheque is issued by the paying firm, the bank balance of the firm is not immediately reduced; rather the bank reduces the balance only when the Cheque is presented to it either personally or through the clearing system.

Similarly, when the firm receives a Cheque from the customer and deposits the Cheque in the firm's account, the amount, rather the bank credits the Cheque amount only when it is cleared by the paying bank.

The cash balance shown by a firm on its books is called the book or ledger balance whereas the balance shown in its bank accounts is called the available or collected balance. The difference between the available balance and the ledger balance is referred to as the float.

**TYPES OF FLOATS:**

There are two types of float viz., DISBURSEMENT FLOAT and COLLECTION FLOAT.

**Disbursement Float:**

The amount of Cheque issued but not presented for payment is known as the disbursement float. For example, suppose that ABC Company has a book balance as well as available balance of Rs 4 Lac with its bank, State Bank of India, as on March 31. On April 1 it pays Rs 1 Lac by Cheque to one of its suppliers and hence reduces its book balance by Rs. 1 Lac.

State Bank of India, however, will not debit ABC Company account till the Cheque has been presented for payment on, say, April 6. Until that happens the firm's available balance is greater than its book balance by Rs. 1 Lac. Hence, between April 1 and April 6 ABC Company has a disbursement float of Rs. 1 Lac.

Disbursement float = Firm's available Bank balance -Firm's book balance = Rs 4 Lac - Rs. 3 Lac = Rs.1 Lac.

**Collection Float:**

The amount of Cheque deposited in the banks, but not yet cleared, is known as the collection float.

For example, suppose that XYZ Company has book balance as well as available balance of Rs 5 Lac as on April 30. On May 1 XYZ Company receives a Cheque for Rs. 1.5 Lac from a customer which it deposits in the Bank. It increases its book balance by Rs. 1.5. Lac. However, this amoung is not available to ABC Company until its bank presents the Cheque to the customer's bank on, say, May 5. So, between May 1 and May 5 ABC Company has a collection float of (-) Rs. 1.5 Lac.

Collection float = Firm's available Bank Balance-Firm's book balance=Rs 5.0 Lac - Rs. 6.5 Lac = (-) Rs. 1.5 Lac.

**NetFloat:**

The net float at a point of time is simply the overall difference between the firm's available bank balance and the balance shown by the ledger account of the firm. If the net float is positive, i.e., payment float is more than receipt float, then the available bank balance exceeds the book balance. However, if the available bank balance is less than the book balance, then the firm has net negative float. If a firm has positive net float (i.e. the payment float is more than the receipt float), it can issue more Cheque even if the net bank balance shown by the books of account may not be sufficient. A firm with a positive net float can use it to its advantage and maintain a smaller cash balance than it would have in the absence of the float. For example, a firm has a payment float of Rs. 1,00,000 and receipt float of Rs, 80,000. This firm has positive net float, which may be ascertained as follows:

Net float=Payment float-Receipt float = Rs. 1,00,000 - 80,000= Rs. 20,000. The course of action adopted by a firm to manage the payment and the receipt float is known as playing the float, which has emerged as an important technique of cash management in most of the firms. Float management helps avoiding stagnation of funds. Money paid by Cheque by customers to the firm but not yet available to the latter, as it is tied in the float is a stagnant money. Similarly, Cheque issued but no presented t the firm's bank is stagnant money. This can be used by a proper and careful float management.
Since what matters is the available balance, as a finance manager you should try to maximize the net float. This means that you should strive to speed up collections and delay disbursements.

**MANAGEMENT OF FLOAT:**

**Speeding Up Collections:**

The collection time comprises mailing time, Cheque processing delay, and the bank's availability delay as shown in Exhibit 1.

When a company receives payments through Cheque that arrive by mail, all the three components of collection time are relevant. The financial manager shoals take steps for speedy recovery from debtors and for this purpose proper internal control system should be installed in the firm. Once the credit sales have been affected, there should be a built-in mechanism for timely recovery from the debtors. Periodic statements should be prepared to show the outstanding bills. Incentives offered to the customers for early / prompt payments should be well communicated to them. Once the cheques / drafts are received from customers, no delay should be there in depositing these receipts with the banks. The time lag in collection of receivables can be considerably reduced by managing the time taken by postal intermediaries and banks.

To speed up collection, companies may also use lockboxes and concentration banking which are essentially systems for expeditious decentralized collection.

**4.1 Lock Boxes:**

Under a lock box system, customers are advised to mail their payments to special post office boxes called lockboxes, which are attended to by local collection banks, instead of sending them to corporate headquarters.

The local bank collects the Cheque from the lock box once or more a day, deposits the Cheque directly into the local bank account of the firm, and furnishes details to the firm.

Thus the lock box system (i) cuts down the mailing time, because Cheque are received at a nearby post office instead of at corporate headquarters, (ii) reduces the processing time because the company does not have to open the envelopes and deposit the Cheque for collection, and (iii) shortens the availability delay because the Cheque are typically drawn on local banks.

In India, the lock=box system is not popular. However, commercial banks usually provide service to their large clients of (i) collecting the cheques from the office of the client, and (ii) sending the high value cheques to the clearing system on the same day. Both these services help reducing the float of the large clients. However, these benefits are not free. Usually, the bank charges a fee for each cheque processed through the system. The benefits derived from the acceleration of receipts must exceed the incremental costs of the lock box system, or the firm would be better without it.

When is it worthwhile to have a lock box? The answer depends on the costs and benefits of maintaining the lock box. Suppose that your company is thinking of setting up a lock box. You gather the following information:

- Average number of daily payments : 50
- Average size of payment : Rs. 8000
- Savings in mailing and processing time : 2 days
- Annual rental for the lock box : Rs. 3000
- Bank charges for operating the lock box : Rs. 72,000
- Interest rate : 15%

The lock box will increase your company's collected balance by:
50 items day x Rs. 8,000 per item x 2 days saved = Rs 800,000
The annual benefit in the form of interest saving on account of this is:
Rs 800,000 x 0.15= Rs 120,000
The annual cost of the lock box is:
Rs 3,000 (rental) + Rs 72,000 (bank charges) = Rs 75,000
Since the interest saving exceeds the cost of the lock box, it is advantageous to set up the lock box. More so because your company also saves on the cost of processing the Cheque internally.

**4.1.2 Concentration Banking**:
A firm may open collection centres (banks) in different parts of the country to save the postal delays. This is known as concentration banking. Under this system, the collection centre's are opened as near to the debtors as possible, hence reducing the time in dispatch, collection etc. The firm may instruct the customers to mail their payments to a regional collection centre / bank rather than to the Central Office. The Cheque received by the regional

collection centre are deposited for collection into a local bank account. Surplus funds from various local bank accounts are transferred regularly (mostly daily) to a concentration account at one of the company's principal banks. For effecting the transfer several options are available.

With the vast network of branches set up by banks regional / local collection centre's can be easily established. To ensure that the system of collection works according to plan, it is helpful to periodically audit the actual transfers by the collecting banks and see whether they are in conformity with the instruction given.

The concentration banking results in saving of time of collection, and hence results in better cash management. However, the selection of collection centre's must be based on the volume of billing / business in a particular geographical area. It may be noted that the concentration banking also involve a cost in terms of minimum cash balance required with a bank or in the form of normal minimum cost of maintaining a current account.

Concentration banking can be combined with the lock box arrangement to ensure that the funds are pooled centrally as quickly as possible.

**4.1.3 Electronic Fund Transfer**:

The banking system has responded to the growing need to speed up the transfer of money from one firm to another. For example, the 'CHAPS' system in the UK (Clearing House Automated Payments System) permits same-day cheque clearance and CHIPS (Clearing House Interbank Payment System), a computerized network, enables the electronic transfer of international dollar payments. These systems provide two benefits to the larger firms, which use them. First, there is greeter certainty as to when money will be received and section, they can reduce the time that money is in the banking system.

Companies can take other action to create a beneficial float. They could bank frequently to avoid having cheques remaining in the accounts office for more than a few hours. They could also encourage customers to pay on time, or even in advance, of the receipt of goods and services by using the direct debit system through which money is automatically transferred from one account to another on a regular basis. Many UK consumers now pay direct debit. In return they often receive a small discount. From the producer's viewpoint this not only reduces the float but also avoids the onerous task of chasing late payers. Also retailers now have terminals which permit electronic funds transfer at the point of sale (EFTPOS) - money taken from customers accounts electronically using debit card.

**4.2 Delaying Payments**

Just as a firm can increase its net float by speeding up collections, it can also do so by slowing down disbursements. A common temptation is to increase the mail time. For example, Acme Ltd. may pay its suppliers in Cochin with Cheque sent from its Calcutta office and its suppliers in Ludhiana with Cheque mailed from its Chennai office. However such gimmicks provide only a short-term benefit and finally turn out ot be self-defeating when suppliers discover the poly and adjust their price and credit terms appropriately. While maximizing disbursement float is a questionable practice, a firm can still payments. The following may be done in this respect.

Ensure that payments are made only when they fall due and not early. Centralize disbursements. This helps in consolidating funds at the head office, scheduling payments more effectively, reducing unproductive cash balances at region / local offices, and investing funds more productivity. However, care must be taken that the goodwill and credit rating of the firm is not affected. Payments to creditors need not be delayed otherwise it may be difficult to secure trade credits at a later stage.

Arrange with suppliers to set the due dates of their bills to match with company's receipts. Synchronization of cash outflows with cash inflows helps a company to get greater mileage from its cash resources.

## 5. ELECTRONIC DATA INTERCHANGE: WILL THE FLOAT DISAPPEAR?

Electronic data interchange (EDI) refers to direct, electronic exchange of information between various parties. Financial EDI or FEDI, involves electronic transfer of information and funds between transacting parties . FEDI leads to elimination of paper invoices, paper Cheque, mailing handling and so on. Under FEDI, the seller sends the bill electronically to the buyer, the buyer electronically authorizes its bank o make payment, and the bank transfers funds electronically to the account of the seller at a designed bank. The net effect is that the time required to complete a business transaction is shortened considerably thereby virtually eliminating the float.

Currently one of the drawbacks of FEDI is that it is expensive and complex to set up the drawbacks of FEDI is that it is India. Further, many parties may not ready or willing to participate in it. However with the advancements in technology and the growth of Internet, e-commerce costs will fall signicantly. This will induce more parties to participate in FEDI. As Ross (Were filed and Jordan Say: " As the use of FEDI increases (which it will) float management will evolve to focus much more on issues surrounding computerized information exchange and funds transfer.

**6. INTERNATIONAL CASH MANAGEMENT**

Cash Management domestic firms to child's play compared with that in large multinational corporation operating in dozens of countries, each with its own currency, banking system and legal structure. Unilever, for example manufactures and sells all over the world. To operate effectively Unilver has numerous bank accounts so that some banking transactions can take place near to the point of business transaction can take place near to the point of business. Sales receipts from America will be paid into local banks there, likewise many operating expenses will be paid for with funds drawn from those same banks. The problem for Unilever is that some of those bank accounts will have high inflows and others high outflows, so interest could be payable on one while funds are lying ideal or earning a low rate of return in another. Therefore, as well as taking advantage of the benefit of having local banks carry out local transactions, large firms need to set in place a co-ordinating system to ensure that funds are transferred from where there is surplus to where they are needed.

A single centralized cash management system is an unattainable idea for these companies, although they are edging towards it. For example, suppose that you are the treasurer of a large multination company with operations throughout Europe. You could allow the separate business to manage their own cash but that would be costly and would almost certainly result in each one accumulating little hoards of cash. The solution is to set up a regional system. In this case the company establishes a local concentration account with a bank in each country.

Then any surplus cash is swept daily into central multicurrency accounts in London or another European banking center. This cash is then invested in marketable securities or used to finance any subsidiaries that have a cash shortage.

Payments also can be made out of the regional center. For example, to pay wages in each European country, the company just needs to send its principal bank a computer file with details of the payment to be made, the bank then finds the least costly way to transfer the for the funds to be credited on the correct day to the employees in each country.
Most large multinationals have several banks in each country, but the more banks they use, the less control they have over their cash balances. So development of regional cash management system favours banks that can offer a worldwide branch network

**Common services of Cash Management:**

The following is a list of services generally offered by banks and utilized by larger businesses and corporations.

**Account reconciliation:**

Balancing a cheque book can be a difficult process for a very large business, since it issues so many cheques it can take a lot of human monitoring to understand which cheques have not cleared and therefore what the company's true balance is. To address this, banks have developed a system which allows companies to upload a list of all the checks that they issue on a daily basis, so that at the end of the month the bank statement will show not only which checks have cleared, but also which have not. More recently, banks have used this system to prevent checks from being fraudulently cashed if they are not on the list, a process known as *positive pay*.

**Advanced web services:**

Most banks have an Internet-based system which is more advanced than the one available to consumers. This enables managers to create and authorize special internal logon credentials, allowing employees to send wires and access other cash management features normally not found on the consumer web site.

**Armored car services/cash collection:**

Large retailers who collect a great deal of cash may have the bank pick this cash up via an armored car company, instead of asking its employees to deposit the cash.

**Automated clearing house:**

Usually offered by the cash management division of a bank. The automated clearing house is an electronic system used to transfer funds between banks. Companies use this to pay others, especially employees (this is how direct deposit works). Certain companies also use it to collect funds from customers (this is generally how automatic payment plans work). This system is criticized by some consumer advocacy groups; because under this system banks assume that the company initiating the debit is correct until proven otherwise.

**Balance reporting:**

Corporate clients who actively manage their cash balances usually subscribe to secure web-based reporting of their account and transaction information at their lead bank. These sophisticated compilations of banking activity may include balances in foreign currencies, as well as those at other banks. They include information on cash positions as well as 'float' (e.g., checks in the process of collection). Finally, they offer transaction-specific details on all forms of payment activity, including deposits, checks, wire transfers in and out, ACH (automated clearinghouse debits and credits), investments, etc.

**Cash concentration services:**

Large or national chain retailers often are in areas where their primary bank does not have branches. Therefore, they open bank accounts at various local banks in the area. To prevent funds in these accounts from being idle and not earning sufficient interest, many of these companies have an agreement set with their primary bank, whereby their primary bank uses the automated clearing house to electronically "pull" the money from these banks into a single interest-bearing bank account. See also: Cash concentration.

**Controlled disbursement:**

This is another product offered by banks under Cash Management Services. The bank provides a daily report, typically early in the day, that provides the amount of disbursements that will be charged to the customer's account. This early knowledge of daily funds requirement allows the customer to invest any surplus in intraday investment opportunities, typically money market investments. This is different from delayed disbursements, where payments are issued through a remote branch of a bank and customer is able to delay the payment due to increased float time.

**Lockbox—wholesale services:**

Often companies (such as utilities) which receive a large number of payments via checks in the mail have the bank set up a post office box for them, open their mail, and deposit any checks found. This is referred to as a "lockbox" service.

**Lockbox—retail services:**

Retail services are for companies with small numbers of payments, sometimes with detailed requirements for processing. This might be a company like a dentist's office or small manufacturing company.

**Positive pay:**

Positive pay is a service whereby the company electronically shares its check register of all written checks with the bank. The bank therefore will only pay checks listed in that register, with exactly the same specifications as listed in the register (amount, payee, serial number, etc.). This system dramatically reduces check fraud.

**Reverse positive pay:**

Reverse positive pay is similar to positive pay, but the process is reversed, with the company, not the bank, maintaining the list of checks issued. When checks are presented for payment and clear through the Federal Reserve System, the Federal Reserve prepares a file of the checks' account numbers, serial numbers, and dollar amounts and sends the file to the bank. In reverse positive pay, the bank sends that file to the company, where the company compares the information to its internal records. The company lets the bank know which checks match its internal information, and the bank pays those items. The bank then researches the checks that do not match, corrects any misreads or encoding errors, and determines if any items are fraudulent. The bank pays only "true" exceptions, that is, those that can be reconciled with the company's file.

**Sweep accounts:**

Sweep accounts are typically offered by the cash management division of a bank. Under this system, excess funds from a company's bank accounts are automatically moved into a money market mutual fund overnight, and then moved back the next morning. This allows them to earn interest overnight. This is the primary use of money market mutual funds.

**Zero balance account:**

A Zero balance account can be thought of as somewhat of a *hack*. Companies with large numbers of stores or locations can very often be confused if all those stores are depositing into a single bank account. Traditionally, it would be impossible to know which deposits were from which stores without seeking to view images of those deposits. To help correct this problem, banks developed a system where each store is given their own bank account, but all the money deposited into the individual store accounts are automatically moved or swept into the company's main bank account. This allows the company to look at individual statements for each store. U.S. banks are almost all converting their systems so that companies *can* tell which store made a particular deposit, even if these deposits are all deposited into a single account. Therefore, zero balance accounting is being used less frequently.

**Wire transfer:**

A wire transfer is an electronic transfer of funds. Wire transfers can be done by a simple bank account transfer, or by a transfer of cash at a cash office. Bank wire transfers are often the most expedient method for transferring funds between bank accounts. A bank wire transfer is a message to the receiving bank requesting them to effect payment in accordance with the instructions given. The message also includes settlement instructions. The actual wire transfer itself is virtually instantaneous, requiring no longer for transmission than a telephone call.

In the past, other services have been offered the usefulness of which has diminished with the rise of the Internet. For example, companies could have daily faxes of their most recent transactions or be sent CD-ROMs of images of their cashed checks. Cash management services can be costly but usually the cost to a company is outweighed by the benefits: cost savings, accuracy, efficiencies, etc.

**STRUCTURES AND FUNCTIONS OF CASH DEPERTMENT OF OUR BRANCH:**

## Structures of Cash Dept:

1. Organizational Structure.

2. Physical structure.

1.**<u>Organizational Structure</u>**:

a) Manager/ Second Officer.

b) Cash In charge.

C) Cash Officers (Receiving)

d). Cash Officers (Paying).

2. **<u>Physical Structure</u>**:

a) Safe Vault.

b). Strong Room.

C) Cash Counter: Receiving, Paying, Others.

**<u>Function of Cash Department</u>**:

i). Receiving of Cash.

ii) Payment of Cash.

iii) Daily Balancing of Cash.

iv). Safe keeping of Cash: In Vault and in Counter.

v). Maintaining Security Measures.

vi) Maintenance of Cash like Assets: Prize Bond, Security Stamps, Petty Cash, etc.

vii) Cash Remittance: Inward and Outward.

viii) Maintenance of Banker's Account.

ix) Receiving and Disposal o Mutilated Notes.

**<u>Receiving of Cash</u>**:

1. Sources of Cash

a). Customer’s Deposit: In Deposit Accounts and in Loan Accounts.

b). From Customers for Remittance/Security Deposit: DD/TT/PO/SDR etc.

c). From Ancillary Services: Electric Bills/Gas Bills/Telephone Bills/Fess and Commission for various services, etc.

d). From Other Branches/Banks: Cash Feeding/T.T. Discount, etc.

2. Checking of Deposit Pay-in-Slips/Vouchers/Forms, etc.

3. Counting of Cash and Checking of Notes.

4. Writing, Signing and Affixing of Cash Received Stamp on the pay-in-slips/forms/Vouchers by the Receiving Cash Officer.

5. Entry of Vouchers on the Cash Receiving Book.

6. Sending the Vouchers to the respective Departments of the branch.

7. Handing over the cash received to the Cash In charge after completion of transaction hours.

Payment of Cash:

1. Receiving of required cash from the Cash in charge.

2. **Payment of Cash to**:

i) To customers through cheques, DD, Pay Orders, Pay slips, MTR, TTR, Debit Cash Vouchers, etc.

ii) To branch officials/staff: Through Debit Cash Vouchers.

iii) To other Branches/Banks: Cash Feeding/Banker’s Account, etc.

3. Obtaining Receiver’s signature on the back of the instrument/vouchers, etc.

4. Writing, affixing Cash payment stamp on the instrument/vouchers, signing by the Cash payment Officer.

5. Entry of the Vouchers/instruments on the Cash Payment Book.

6. Sending the vouchers/ instruments to the respective Departments of the branch.

7. Balancing of Cash Payment Book and Handing over the remaining cash to the Cash incharge.

## **Balancing of Cash:**

1. Totaling of all Cash Receiving Books and Cash Payment Books by the Cash Receiving and Cash Officers Separately.

2. Preparation of Cash Position Memo.

3. Writing of Cash Balance Book.

4. Ensuring that the cash balance is correct.

## **Safe keeping of Cash after Balancing:**

1. Physical Counting of Cash (Bundles/ Loose).

2. Stitching/Binding/Sorting of Notes.

3. Mutilated/Non-issue Notes/ Forged Notes.

## **Remittance of Cash:**

1. Inward Remittance: From Feeding Branch/From Banker's Account.

2. Outward Remittance: To Feeding Branch/To Banker's Account.

3. Maintenance of Security Measures, Books and Registers, Accounting Procedures for Cash Remittance.

### **Cash Insurance and Cash Limits**:

1. Safe Limit.
2. Cash-on- Counter limit.
3. Cash-in-Transit limit.

**Maintenance Of Safe and Strong Room Keys:**

1. Custodians of keys (sate /strong Room)
2. Maintenance of key Register.
3. Lodgment of Duplicate keys.

**Security Measures for**:

1. Maintenance of Cash during transactions.
2. Safety of Cash after office hours/during overnight/holidays.
3. Remittance of Cash (inward and outward).

# EVENING BANKING CASH MANAGEMENT:

Banking beyond the Banking Hours as per Bangladesh Bank banking Hours Notifications and The NI Act Section-65; Presentment for payment must be made during the usual hours of business, and, if at a banker's within banking hours.

## **Legal Coverage of Evening Banking**:

1. Bangladesh Bank formal Permission for Evening Banking from BRPD is required for particular branch evening banking.
2. Schedule Bank Application along with Day transactions and Customers prayer for Evening Banking is generally placed to the BRPD; after proper scrutiny of application of schedule Bank, Bangladesh Bank give formal permission for evening banking.
3. Terms of Evening Banking Hours-

    i) Hours after Day Banking close.
    ii) Security measures for Evening Banking.
    iii) Office order for Evening Banking.
    iv) Customers of Evening Cash-Safe Keys & Key register Entry.

## **Evening Banking Functions**:

1. Receive cash in Deposit Account in the main function of Evening Banking.
2. All the receives must be entered in separate cash receive Register.
3. DD/TT-Remittance Services should not be provided through Evening Banking. Exceptional only for valued and tested account holders with the consent of branch in charge.
4. Evening cash may be received in Loans and Advance but DP to be created on the Next Banking Day.
5. Separate Cash Balance Book to be used for Evening Banking Cash.
6. Separate Iron Safe/Vault to be used for Evening Banking Cash.
7. Custodian must ensure "Overnight Safe keeping' of Evening Banking Cash.

## **Scrutiny of Evening Banking Cash**:

1. Cheking Cash Receive Register-"Cash Slot"
2. Cheeking evening Banking Cash Balance Book.
3. Cash Cheeking- Sorting-Stitching-Binding-Note Packing-Slip Counted-Recounted.
4. Counting-Loose cash/ Coins-Bundle-Packet.
5. Mutilated Cash if any kept with evening banking cash.
6. Evening Banking Receive security Stamp and Evening Banking Cash register in strong Room.

7. Denomination of Notes and Coins to verified with Physical Cash in hand.

## **Risks in Evening Banking**:

1. External Risk- Tight Security-CCTV-Armed Guard-Danger alarm-extra precaution.
2. Never mixing evening banking cash with day cash-Threat of Demonetization of certain currency Notes.
3. Internal Risk- Extra Precaution against pocket Banking( Day Banking Cash Shortage covered from evening Banking).
4. Never 'Late payment' form Evening Banking (any late payment must make from Day Banking observing late payment formalities.

## **Findings:**

From the analysis part I have discovered the following findings:

- Inward remittance from personal purpose is very low compare to the other purposes of remittance collection. Which indicates that remittances come in personal account/salary account are only 2% according to 2010.

- Disbursements of inward remittances are not satisfactory. Each year handsome amount of remittances are not been settled and goes to UCD files for regulatory confirmation.

- Outward remittance distributions by purpose are close in percentage to one another. But outward remittance distribution of other purposes is less then business, travelling, and student.
- Their process of transaction is time consuming and critical, for that some time business of customer.

- They're not as innovative as other Banks such as BRAC Bank and Dutch Bangla Bank.

- They are not as seen in our country different media doing promotion.

## Recommendation

Based on the above findings from my experience in the organization I recommend that NBL should consider the followings:

- NBL has some regulatory restrictions which discourage the individual customers to send remittance from abroad. That is why remittance coming in personal purpose is 2% out of the total. So, SCB should take initiatives to increase it by mitigating the restriction for personal account and encourage the customer by promotional activities.

- CMO should concentrate more on UCD items time to time. Because every year many customers Corporate, NGO, individual etc. failed to receive their remittances.

- Outward remittance send by the purpose of business, travelling, student fees and expenses are satisfactory but they should consider remittances send for other purposes as well.

- In the distribution of outward remittance CMO department of NBL also need to concentrate to have the edge on competitors.

- CMO department also have to try to increase interest and lower charge of collection, both local and foreign to bit its competitors.

- They need to go for customer with innovation like BRAC Bank and Dutch Bangla Bank.

- They need to do promotional activities to make customer more interested to make a relation with NBL.

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