

UNIT 1 - Cash Management Services- All You Need To know



Introduction

In order to keep an organisation functioning, it is ensured that best use of cash or liquid resources is done. A full range of products and services are offered to ensure effective cash management. Banks like ICICI, Bank of India, HDFC, Union bank of India etc. have certain CMS (Cash Management Services) that they offer which helps in satisfying customers. It refers to collecting, concentrating and disbursing cash i.e management of cash balance is done. Today banks have state of the art systems to ensure customised delivery. Advanced technology and a hugely competent team is needed for CMS. Cash management is primarily concerned with cash flows in and out of the system, cash flows within the system and cash balances held by a firm at a time. It facets

involve managing, planning and optimizing cash flows and also knowing how to invest surplus cash too.

NEED

- Uncertain cash flows
- Complex system of clearing
- Preventing cash related delays
- Invoice collections
- House cheque collections
- Post dated cheque collection

BENEFITS

- Risk reduction
- Collection of funds at the origin's source
- Faster and easier transfer of money done to any location that is wanted
- Nominal fee or commission charged
- Optimum funds management
- Improved liquidity positions of the customers
- Only one account needed even at multiple locations
- Huge Logistics support is offered
- Timely execution of requests
- Timely deposits are done
- Disbursements done at a proper time
- Exposure is monitored

PRODUCTS

COLLECTION PRODUCTS

With a big network and a very well customised MIS (Management Information System), banks offer effective management.

- **LOCAL CHEQUES COLLECTION(LCC)** : Instead of bringing cheques to the bank, pick up services are offered from the customer premises
- **UPCOUNTRY CHEQUES COLLECTION(UCC)**: A courier company picks up cheques periodically at the place of the customer
- **Magnetic Ink Character Recognition(MICR)**
- **Utility Bill Collection Services**: Deals with regular bill payments
- **Centralized debit/credit of cheques and mandates**
- **Cash pickup and delivery**
- **Electronic collections**
- **Capital Market Collections**
- **Collections related to the Capital market are done**
- **Bulk collection**: Cheques are collected at 300 different locations and routed through the module of CMS
- **Virtual account**: Actual account number is not revealed to the remitter and the virtual account is just decoded

PAYMENT PRODUCTS

Disbursement solutions for making payments through various modes is done here

- **NEFT/RTGS**: Reduces fraud risk and there is faster realization of receivables
- **ECS(Electronic Clearing Service)**: Used for payments like interests/dividends, utility bills and collection of taxes
- **Customer cheques**
- **Payable at par**
- **Locally payable**
- **Disbursing of cash is done**
- **Cheque writing**
- **Multicity cheques** are printed by the respective bank on behalf of the client to meet payment requirements and bulk printing of cheque is also done at your own premises

Hence, CMS is needed because it uses technology and innovations thereby helping in growth of banking institutions across country.

Adoption of effective cash management techniques is vital for a dynamic economy.