

# DO YOU KNOW?

## What are Non Performing Assets?

Non Performing Assets (NPAs) are the debts for which the bank has not received any interest or principal repayment for an extended period of time. Since no income accrues to the lending institution from these debts, these are classified as NPAs. We can say that NPA refers to loans that are in jeopardy of default.

If a loan instalment is not paid to a bank or financial institution for three months continuously, it is considered NPA and the bank records it as NPA in its book of accounts. NPAs create burden on the financial institutions and hence they are often good indicators of the health of a financial institution.

## What is Digital Signature?

The digital counterpart of the handwritten signature is Digital Signature. Just as a paper document is authenticated with handwritten signature, digital signature authenticates the identity of the owner of the document in the digital world. It gives the assurance about the sender of the document as also the fact that the document has not been altered. Digital Signature is a kind of stamp which is very difficult to duplicate and forge. The Information Technology Act, 2000 requires the use of Digital Signatures to ensure security and authenticity of all electronically filed documents.

Digital Signature certificates (DSC) can be purchased from

Certification Agencies (CAs) approved by the Controller of Certifying Authorities. Currently MTNL CA, TCS, IDBRT, Safecrypt (Satyam), nCode Solutions, NIC, and e-Mudhra are the authorised Certification Agencies for individuals in India. The Digital Signature Certificates (DSCs) generally have a validity of one year or two years and are legally admissible in a court of law.

## What does the PAN Number represent?

Permanent Account Number (PAN) is a ten digit Alpha-numeric number issued by the Income Tax department. The purpose of allotting PAN is to link financial transactions of an individual or firm with the Income Tax department. PAN facilitates linking of the various documents such as Income Tax Return, Tax Deduction at Source (TDS), Tax Arrears and Refund to an individual and acts as an identifier. It is an important mechanism to check tax evasion and to broaden the tax base.

However, the ten Alpha-numeric digits of the PAN have a specific meaning. We can take a sample PAN and find out what various digits and numbers stand for-

First three characters- Alphabetic series running from AAA to ZZZ which is randomly allocated.; Fourth Character- Status of the PAN-holder. Here, P stands for Individual, F stands for Firm, C stands for Company, H stands for HUF, T stands for Trust etc.; Fifth Character- It is the first letter of the

surname of the PAN holder. If a person changes the surname after marriage or for any other reason, the PAN does not change.; Sixth to ninth Character- These are sequential numbers running from 0001 to 9999. This is also allocated randomly.; Tenth Character- It is the alphabetic check digit which is generated by applying a formula to the preceding nine numbers and digits.

## What is Cheque Truncation & How it works?

Cheque Truncation System (CTS) is used by the banks to stop the movement of a physical cheque from the bank where it is presented to the bank which had issued it. Under this system, an electronic image of the cheque is transmitted to the drawee branch along with the necessary information inputs like Magnetic Ink Character Recognition (MICR) code, date of presentation and details of the bank presenting the cheque.

The new system of Cheque Truncation will cut the time that was earlier consumed in the physical movement of cheques from presenting branch to the drawee branch. At present, the outstation cheques take around seven days to get cleared. Once the system is in force in the whole country, it will take one or two days to clear a cheque. The settlement cycles of the bank will also be drastically reduced. There will be no fear of loss or damage to the cheque in physical transfer. Alteration in cheque is not accepted in this system. □