

Banking Correspondences For ESP Students

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Introduction

Correspondences in English fall into three types personal, official and business letters. ESP students encounter difficulties in recognizing and producing various types of correspondences in banking. The main emphasis will be given to banking correspondences which are the main subject of this study with reference to some details about the somewhat problematic terms: inquiries and replies in both fields banking and commercial. (Kumer,1972:15)

Thus, the paper aims to find out the similarities and differences between banking inquiries with their replies so that the students can differentiate between the inquiry and reply in banking field .

It is hypothesized in this study that the ESP students in correspondence may misuse the terms inquiry and reply in banking letters as in questions like: Write the inquiry and reply for the following information.

In order to present a thorough description and analysis ,the study tries to make use of all the literature available about business correspondences. However, this research is limited to the presentation and discussion of banking correspondences and commercial correspondences with special emphasis on the basic letters which are commonly used more than others like inquiries and replies. Other kinds of correspondences will be mentioned by definition. Then, the research falls into three sections in addition to the introduction. Section One deals with banking correspondences. Section Two is devoted to the presentation of commercial letters with emphasis only on the inquiry and its reply since they are the same terms used in banking but with different implications. Section Three is the conclusion of the research.

Section 1 : Banking Correspondences

1.1 Banking Inquiry

The banking inquiry is a letter used by the bank to ask another bank about the financial standing, reputation and characteristic of the company. (Al-Shamma,1975:82). It is done in two cases:

- 1- When the order is for the first time.
- 2- If the amount of the order is large.

The following example clarifies this:

Bank of England

Branch 2,
Oxford St-
London

20th, May, 2008

Ref.No:22/LM

Rasheed Bank,
Rasheed St.,
Baghdad, Iraq

Dear Sir,

The manager would be obliged by your opinion in confidence as to the business integrity and financial standing of Al-Nahrain Co., Baghdad, Iraq and whether it is considered trustworthy in business with £500 000.

Yours faithfully,

Bank of England

Branch 2

There is a shorter body than the body in the example above which can be as an alternative. It is:-

Al-Nahrain Co, Baghdad, Iraq has ordered £500 000. Will you please make the necessary inquiries about its financial position?

Each inquiry must be replied. The reply can be either favourable or unfavourable. Therefore, the replies to the previous inquiry are as follows:

1.2 Favourable reply:-

Rasheed Bank,
Rasheed St.,
Baghdad, Iraq

25th, May, 2008

Bank of England,
Branch 2,
Oxford str.,
London

Dear sir,

In reply to your inquiry dated 20th, May about the financial standing of Al-Nahrain Co., Baghdad, Iraq, we have to inform you that in local business it is considered (regarded) as substantial firm with clean record.

Yours faithfully
Rasheed Bank

1.3 Unfavourable reply:-

Rasheed Bank,
Rasheed St.,
Baghdad,Iraq

25th,May,2008

Bank of England,
Branch 2,
Oxford str.,
London...

Dear sir,

In reply to your inquiry dated 20th,May about the financial standing of Al-Nahrain Co.,Baghdad,Iraq,we regret to tell you that we are unable to express any opinion about its financial position.

Yours faithfully,
Rasheed Bank.

1.4 Personal Inquiry:-

There is another kind of inquiry which is called personal or individual inquiry. This letter can be used by any trader, merchant or even company to address a bank to open a new account like a current,deposit, saving or a letter of credit (L/C).Banks are established to serve their customers. The customer can use the following inquiry letter to obtain any kind of accounts' (Zimman,1980:11)

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Samir Ali,
Al-Mansour St.,
Al-Mansour, Baghdad,

10th, June, 2008

Leeds Bank,
Oxford str.,
London, England

Dear sir,

We wish to open a (current) account in the name and style Samir Ali. Will you please let us know the formalities to be completed.

Yours faithfully,
Samir Ali.

There is only one reply to this inquiry which is always positive (favourable). Therefore, the reply to the inquiry above is as follows:-

Leeds Bank,
Oxford str.,
London, England.

15th, June, 2008

Samir Ali,

Al-Mansour St.,
Al-Mansour, Baghdad,

Dear sir,

In reply to your inquiry dated 10th, June about opening a (current) account, we are pleased to enclose the necessary application forms. We hope to hear from you soon.

Yours faithfully,

Leeds Bank.

1.5 Letter of credit (L/C):-

Definition:-

The letter of credit is a promise or any arrangement taken by the issuing bank for the request from the customer to pay, accept or negotiate a bill of exchange. The credit is either revocable which can be cancelled by the buyer (importer) or irrevocable which can't be cancelled by the buyer(importer).

There are seven types of credits. They are:-

- 1- Sight credit: Immediate payment of the full amount against presentation of documents.
- 2- Acceptance credit:- Payment of the full amount at maturity with a bill of exchange.
- 3- Red-clause credit:- The exporter can obtain an advance payment from the correspondent bank (written in red ink).
- 4- Deferred payment:-The exporter does not receive payment against presentation of documents until a later date.

- 5- Revolving credit:- The importer receives his goods installment in specified intervals then the exporter receives the value of each installment.
- 6- Transferable credit:- It enables the middleman who receives payment from the buyer to transfer his claim to his own supplier.
- 7- Negotiation credit:- It is a commercial letter opened by the issuing bank in the currency of its own supplier

Example: -

Commercial Bank

Main Str.,

Tokyo, Japan

10th April, 2005

The Issuing Bank:

Rafidain Bank,

Rasheed St.,

Baghdad, Iraq

Amount: \$2000

Valid: 10th, Oct,

Applicant:

The Iraqi Trading Co.,

Rasheed St.,

Baghdad, Iraq.

Beneficiary:

General Co.,

Kings St.,

Tokyo, Japan.

We hereby inform you the opening of the following irrevocable documentary credit available with us against presentation of the following documents:-

- 1- Bill of lading.
- 2- Certificate of origin.
- 3- Insurance policy.
- 4- Packing list.

We confirm that this credit is irrevocable and valid from our part until 10th, Oct.

Yours faithfully,

Commercial Bank.

The parts of the credit above are very important. The students must know that the first part denotes the correspondent bank (seller's bank), the applicant refers to the buyer. The issuing bank refers to the buyer's bank and Beneficiary refers to the payee (seller). This kind of letters is more complicated than the previous one. In this letter the two banks stand for the buyer and the seller. Payment is made throughout the banks. The body is fixed and should be learned as it is.

1.6 Banking Documents:-

Other kinds of correspondences are called documents. They are used by a bank as one party and other parties (banks, persons or companies). The following represent these documents:

- 1- The cheque:- It is an order to a bank to pay a certain sum of money on the drawer's account to a person named on it or to his order.
- 2- Banker's Draft:- It is a cheque drawn by a bank on its branch or on another bank in which it has fund on deposit.
- 3- Bill of Exchange (B/E):-It is a written order by the creditor to the debtor to pay on demand or on a named date a certain sum of money to a person named on the bill.
- 4- Promissory Note(P/N):- It is a promise by a debtor to pay a stated sum of money to a named person on a stated future date.
- 5- Bank Guarantee:- It is an undertaking to be collaterally responsible for the debt default or miscarriage of another.

The customers (persons, firms. offices,. etc.) use the correspondences above to communicate with the banks to get money (Al-Shamma,1975:131)

Section 2 : Commercial Letters

2.1 Inquiry letter:- It is written by the buyer to the seller to ask about the price list, catalogue and terms of the goods (payment and delivery).It includes seven main parts: heading ,date, inside address, salutation, body, complimentary close and signature. (Sulaiman,1992:143)

Example:

IRAQI STORES CO.,

Rasheed St.,

Baghdad, Iraq

2nd ,March,2008

GENERAL MOTORS CO.,

20 Str.,

Rome,Italy,

Dear sir,

We have seen your advertisement in “ Newsweek” magazine showing that you are the producer of (M Z) motors.

Could you please send us your price list, catalogue, terms of payment, terms of delivery and any information about this kind of motors.

We are looking forward to receiving your reply as soon as possible.

Yours faithfully,

Iraqi Stores Co.

2-The Reply:- When the seller receives this letter of inquiry he replies to the buyer in a letter called reply or quotation in which he offers the prices and terms of the goods demanded by the buyer. So, the reply to the inquiry above is as follows:

GENERAL MOTORS CO.,
20 St.,
Rome, Italy.

11th, March, 2008

IRAQI STORES CO.,
Rasheed St.,
Baghdad, Iraq
Dear sir,

Thank you for your inquiry dated 2nd, March about the prices and terms of M Z motors.

We are pleased to quote as follows:

- 1- M Z size 150 as \$200 each.
- 2- M Z size 250 as \$350 each.

We shall be glad to receive your order and address.

Yours faithfully,

General Motors Co.

2.3 Other Business Letters

The other kinds of business letters are the following:-

1. Quotation :- It is a letter sent by the seller to the buyer as a reply to the inquiry sent by the buyer. It offers the prices and terms of the goods required by the buyer.

2.Order:- It is a letter sent by the buyer to the seller to supply the goods wanted by the buyer.

3.Invoice:- It is a bill sent by the seller to the buyer with the goods. It includes the description of the goods, quantity, quality and total amount.

4.Complaint:- It is a letter sent by the buyer to the seller when the buyer finds an error in the invoice or if the goods are damaged (Alshamma,1975:166)

Section 3 : Conclusion and Recommendations

3.1 Conclusion

Throughout the previous presentation of correspondences in banking and commerce, the findings can be summarized as follows:-

- 1- The correspondences in banking field are usually used by two parties one of them is the bank, whereas in business field the two parties are the buyer and the seller.
- 2- The banking inquiry asks about the status of the company in business, while the commercial inquiry asks about the prices and terms of the goods.

- 3- The reply in banking field can be either positive or negative, while the reply in commercial field represents the prices offer (always positive).
- 4- The main objective of banking correspondence is to get money, whereas the objective of commercial correspondence is to get the goods.
- 5- Both kinds of correspondences are based on confidence in each other.
- 6- The fame of the banks or the productive companies attracts their customers who put trust in them.
- 7- Correspondences other than inquiries and their replies in banking and commercial fields are different from each other.
- 8- All inquiries and their replies consist of seven main parts: The heading, date, inside address, salutation, body, complimentary close and signature.
- 9- The letter of credit (L/C) is common between banking and commercial fields. It includes the seller with his bank and the buyer with his bank.

3.2 Recommendations:-

The researcher recommends that teachers have to put emphasis on the main correspondences (inquiries and replies) by giving more exercises about them and let the students practise them through daily quizzes. It is better to give the

students both kinds of inquiries and replies. Other correspondences and documents are to be learned as they are and should be memorized by heart especially their bodies.

Finally, the researcher hopes that this first attempt in banking field has served its purpose in spite of the limitations. Other studies, can be carried out on other letters and documents in full details.

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