If you have an account with SBI and your friend has an account with PNB, your friend gives PNB cheque to you. After receiving the cheque your deposit with SBI. SBI sends the cheque\* to PNB for collection of the fund. PNB gives fund to SBI deducting from your friend’s account. SBI in turn deposit the money to your account. This episode is termed as cheque clearing.

To make the answer to your question very simple, SBI does the outward clearing job by sending the cheque out of its system for clearing. So this cheque is outward clearing cheque for SBI. PNB accepts the cheque and does inward of cheque hence the same cheque becomes inward clearing cheque for PNB.

\*under CTS - Cheque Truncation System of clearing only the image and data of cheque move from one bank to another electronically without physical movement of cheques.

**Outward Clearing:**In this type of clearing cheques of other banks are presented by our customers in our branch. We take those cheques with different bank slips to clearing house for clearing of cheques. In outward Clearing cheques belong to other bank, but the customer belongs to our banks. For e.g. A customer of Indian Overseas Bank comes to the bank with cheque of SBI with him. He will give banks 2 things, 1: credit voucher advising the cheque the customer needs to present in clearing 2: Cheques

The voucher and cheque collectively carry the same amount. If the voucher is of Rs1000 then the cheque/cheques will also be of Rs1000.

Once cheques are cleared in clearing, IOB will give credit to the customer in his/her account defined in the voucher.

**Outward clearing means the cheques sent for collection.**

When a particular branch receives instruments drawn on the other bank within the clearing zone and sends those instruments for collection through the clearing arrangement is considered as Outward Clearing for that particular branch. This branch is known as collecting branch.

In other words, inward clearing is for our branch and outward clearing is for other banks or branches. When we receive inward clearing we have to debit our customer account and when we receive outward clearing we have to send it to relevant bank for payment.

Outward Clearing

` Similarly when outside parties issue some cheque to our account holders, they deposit these cheques in Cheque Receipts Department. Afterward these cheques, as relating to other banks operating in country, are sent to clearing department or further process. Clearing dept. sends these cheques to respective banks and after realization of cheque, funds are credited to the account of respective customer. In this regard there are two types of clearing

a. Intra city clearing

b. Intercity clearing

These cheques are sent through NIFT. Time for realization may differ in case of remote areas

**OUTWARD CLEARING** “**Outward clearing** means **cheques** sent for collection” 9.**OUTWARD CLEARING** OR “The **cheque** of other bank, which the account holder deposit in their account” **Outward clearing** increases the deposits of the bank.

Cheque Clearing

Cheque Clearing Process covers a cycle required by financial institutions, such as banks, to complete the necessary checks to make sure that payment is made in accordance with payers’ instructions. Conventionally, the process takes three business days for the financial institutions to transport the deposited cheques from the point of presentment (initial deposit) at the payer bank to the point of decision making at the payee bank and returned the rejected ones from the point of decision making at the payee bank to the point of presentment at the payer bank.

Outward Clearing

Outward Clearings can be defined as the first part of cheque clearing process where deposited cheques are transported from the point of presentment at the payer bank to the point of settlement at the Clearing House.

