

Negotiable Instruments

Introduction

The term 'instrument' means 'any written document by which a right is created in favour of some person'.

The word 'negotiable' has a technical meaning whereby rights in an instrument can be transferred by one person to another.

Thus, a negotiable instrument is a document by which rights vested in a person can be transferred to another person in accordance with the provisions of the Negotiable Instruments Act, 1881.

Negotiable instrument act 1881 which governs the operations does so without a strict definition of negotiable instruments but states in section 13 that promissory notes, bills of exchange and cheques payable either to order or to bearer are negotiable instruments.

It is a written document with duly signed. It is made or drawn for consideration and can be transferred from one person to another by endorsement and delivery, if payable on order and mere delivery if it is a bearer instrument.