

S.S.V.V. Sangh's  
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# Types of accounts in a bank



In India, banks usually have four major types of deposit accounts – Current Account, Savings Account, Recurring Deposit and Fixed Deposit. Recently banks have also introduced combining features of these accounts as per customer and market requirements. But still these accounts are not popular among the public and the traditional four accounts are considered above all.

# Procedure to open an account

- Receiving duly-filled-in account opening form
- Obtaining two copies of photograph
- Obtaining introduction or reference and following it up
- Obtaining specimen signatures
- Obtaining mandate
- Receiving initial deposit
- Opening customer's account
- Handing over the pay-in slip book, cheque book and pass book

# CURRENT ACCOUNT

Current accounts are usually for businessmen and daily transactions. It doesn't serve a purpose of saving your investments. The transaction facility to this account is so flexible that you can make innumerable transactions in a day. Hence, the banks don't pay any interest on your invested amount but it charges certain service charges on such

**CURRENT  
ACCOUNTS**

Accounts tailoured for your needs



# features

- An account generally opened by business people for convenience.
- Money can be withdrawn and deposited at any time.
- Withdrawal is possible only by means of cheques.
- Banker generally does not allow any interest on this account.
- Two basic privileges which customers can enjoy are :
  - Overdraft facility.
  - Other facilities like collection of cheques, transfer of money and rendering agency and general utility services.

- Banker charges interest on overdraft on day-to – day basis.
- Current account holders must keep a minimum balance of Rs. 5000/1000- to keep the account running(varies according to Banks)
- If this minimum is not maintained, charges would be charged periodically (varies according to Banks)
- Bank sends “Statement of Account” to customers every month.
- As deposits here are to be paid on demand, the banker should keep a minimum cash reserve.

# Pros of current account

- Easy, fast access to your funds
- Fast, easy and charge-free transfers of funds for bill payments
- Package accounts provide additional money-saving benefits
- Overdraft facilities
- Electronic payment facilities
- Cheque book facility for cashless payments
- Specialized accounts for different customer groups; increasing the likelihood of good-value services
- Management of regular payments
- Online, electronic management of money available
- Access to money abroad without the need to exchange cash



# Cons of current account

- Usually low interest rates
- Special services may incur heavy charges
- Security of electronic transfer and card payments can be compromised
- Paperwork and terms and conditions can be confusing and time-consuming
- Large corporate businesses may pay large fees on transactions
- Losing a card can restrict access to funds
- Chance of fraud when using internet banking

Savings Accounts are the most popular kind of individual accounts for personal purpose of saving your investments and getting interest rates. Savings account provides cheque facility along with flexibility for deposit and withdrawal of funds from your account.

# SAVINGS ACCOUNT



# features

- Meant for Small Savers primarily.
- Restrictions on withdrawals.
- Minimum balance Rs 500- Rs 1000 – this varies with different banks; Rs 10000 for ICICI, HDFC Etc..
- Interest on deposit.
- No overdraft facility. It can be sanctioned though.
- ATM cards available, net banking and mobile banking facility available.
- Cheques collected on this account.

- Nomination facility available.
- Letter of introduction required to open an account.
- Fulfilling of KYC norms.
- SB facility available with Post Office.
- Account can be closed after one year. In case of early closure, a service charge of Rs. 100 will be levied.

# Pros of savings account

- Saving account encourages savings habit among salary earners and others who have fixed income.
- It enables the depositor to earn income by way of saving bank interest.
- Saving account helps the depositor to make payment by way of issuing cheques.
- It shows income of a salaried and other person earned during the year.
- Saving account passbook acts as an identity and residential proof of the account holder.
- It provides a facility such as Electronic fund transfer (EFT) to other people's accounts.
- It helps to do online shopping via facility like internet banking.
- It aids to keep records of all online transactions carried on by the account holder.
- It provides immediate funds as and when required through ATM.
- The bank offers number of services to the saving account holders.

# Cons of savings account

- Low Returns
- Withdrawal Limitations
- Minimum Balance Requirements
- Missed Opportunities

# Fixed Deposit

- Fixed deposit (FD) is a financial instrument where a sum of money given to a bank, financial institution or company whereby the receiving entity pays interest at a specified percentage for the time duration of the deposit. The rate of interest paid for fixed deposit vary according to amount, period and from bank to bank. At the end of the time period of the deposit the amount that is originally given is returned to the investor.



# features

- Repayable after the specific time period.
- Emergency Closure.
- Penalty.
- Interest payable.
- Possibility of monthly payment.
- Nomination Facility.



**Given below are the Highest Rate of Interest or the maximum rate of interest on Fixed Deposits in certain buckets offered by banks in India in 2015 (in the first week of february 2015)**

<b>Name of the Bank</b>	<b>Period of fixed Deposit</b>	<b>Rate of Interest(%)</b>
<u>Dhanalakshmi Bank</u>	375 days	9.10%
<u>Central Bank of India</u>	777 days	9.05%
<u>Catholic Syrian Bank</u>	400 days	9.00%
<u>South Indian Bank</u>	SIB Freedom (15 months)	9.00%
<u>Tamilnad Mercantile Bank Ltd</u>	5 years - 10 years	9.00%
<u>Indus Ind Bank</u>	1 year to below 1 year 2 months	9.00%
<u>Canara Bank</u>	1 year only	9.00
<u>Dhanalakshmi Bank</u>	365 days to 374 days	9.00%
<u>Lakshmi Vilas Bank</u>	2 yers and above & less than 3 years	8.90%
<u>Karur Vysya Bank</u>	Above 3 years	8.90%
<u>Karnataka Bank</u>	1 year to 2 years	8.75%
<u>Punjab National Bank</u>	1 year only	8.75%
<u>Vijaya Bank</u>	1 year	8.75%
<u>UCO Bank</u>	1 year	8.75%

# Pros of Fixed Deposit

- Fixed deposit encourages savings habit for a longer period of time..
- Fixed deposit account enables the depositor to earn a high interest rate.
- Safety of your future
- Risk free
- The bank can lend such funds for short term loans to businessmen.

# Cons of Fixed deposits

- Protection against inflation.
- Withdrawing funds
- The risk factor
- Income tax.

Recurring deposits also known as **RD** accounts who wish to invest an average amount of their savings on a monthly basis. These accounts gain interest on the amount available in your account. This account is specially designed for the working public who don't want to invest a large amount at one instance.

# RECURRING DEPOSIT

Bank Recurring deposit rates						
Group	Bank	1 Year	2 Years	3 Years	4 Years	5 Years
Private Banks	Axis Bank	8.50	8.75	8.75	8.75	8.75
Private Banks	Federal Bank	9.00	9.00	9.00	8.75	8.75
Private Banks	HDFC Bank	8.00	8.75	8.75	8.75	8.75
Private Banks	ICICI Bank	7.50	8.75	8.75	8.75	8.75
Private Banks	Karnataka Bank	9.25	9.25	9.00	9.00	9.00
Private Banks	Kotak Bank	9.00	8.75	8.75	8.75	8.75
Private Banks	Yes Bank	9.00	9.00	8.75	8.75	8.75
Public Sector banks	Andhra Bank	9.00	9.00	9.00	9.00	9.00
Public Sector banks	Bank of Baroda	8.75	8.75	8.75	8.75	8.75
Public Sector banks	Canara Bank	9.05	9.05	9.05	9.05	9.05
Public Sector banks	Indian Bank	9.00	9.00	9.00	9.00	9.00
Public Sector banks	State Bank of India (SBI)	8.75	8.75	8.75	8.75	8.75
Data as of 12-Apr-13 - Source: <a href="http://myinvestmentideas.com">myinvestmentideas.com</a> team - Subject to change without notice; Pls contact respective banks for latest updates						

# features

- The main objective of recurring deposit account is to develop regular savings habit among the public.
- In India, minimum amount that can be deposited is Rs.10 at regular intervals.
- The period of deposit is minimum six months and maximum ten years.
- No withdrawals are allowed. However, the bank may allow to close the account before the maturity period.
- The bank provides the loan facility.

# Pros of recurring deposit account

- Recurring deposit encourages regular savings habit among the people.
- Recurring deposit account holder can get a loan facility.
- The bank can utilize such funds for lending to businessmen.
- The bank may also invest such funds in profitable areas.
- No TDS is applicable on recurring deposits.

## Cons of recurring deposit account

- You cannot withdraw the money anytime you wish
- You cannot change the amount you like to invest monthly once decided.
- It has a comparatively lower rate of interest.

# comparison

## POINT OF COMPARISON

- Purpose
- Ideal for
- Over Draft
- Interest Rates
- Minimum Amount

## CURRENT ACCOUNT

- Many transaction
- Business person
- Allowed
- Normally, no interest is paid
- Higher amount

## SAVINGS ACCOUNT

- To encourage saving
- Salaried person
- Not Allowed
- 4% - 6%
- Less amount



Thank you