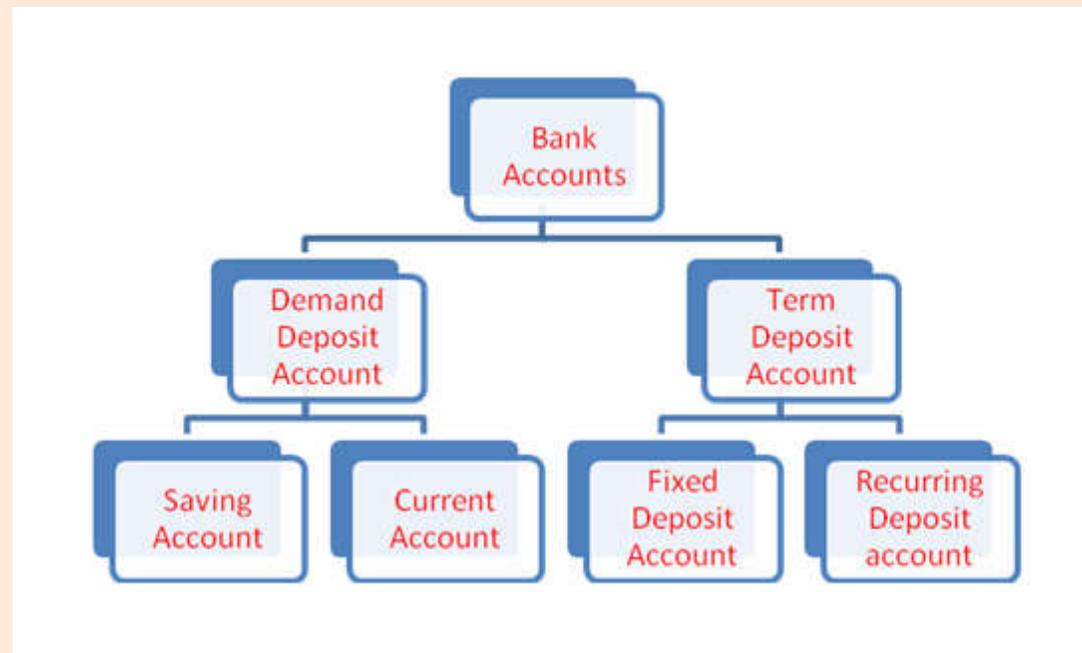


# B Com (EM) - III Sem – Financial Services, Banking and Insurance (FSBI)

## 1.4 Different types of accounts with banks





## **TYPES OF ACCOUNT**

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- 1. SAVINGS ACCOUNT**
- 2. CURRENT ACCOUNT**
- 3. RECURRING DEPOSIT ACCOUNT**
- 4. FIXED DEPOSIT ACCOUNT**
- 5. DEMAT ACCOUNT**

One of the main functions of a bank is to accept deposits from the public. Deposits are accepted by the banks in various forms. Banks offer different kind of accounts for taking deposits and providing services under different names. However these account types can be classified as follows:

## **A. Demand Deposits**

### **1. Current Account Deposits:**

Current Accounts are usually opened by businessmen who have a number of regular transactions with the bank, both deposits and withdrawals. There is no restriction on number and amount of deposits. There is also no restriction on withdrawals. No interest is paid on current deposits. Banks may even charge

interest for providing this facility. These accounts are also known as demand deposits as amount can be withdrawn on demand.

## **2. Saving Account Deposits:**

This is also another type of demand deposit. Saving Accounts are opened by salaried and other less income people. There is no restriction

on number and amount of deposits and withdrawals are subject to certain restrictions. It earns Interest but less than fixed deposits. It encourages saving habit among salary earners and others. Saving deposits are an important source of funds for banks. There are no frills savings accounts with minimum facilities are also being provided to improve the banking coverage to the unbanked population. Pradhan

Manthri Jan Dhan Yojana is a prominent scheme in this regard. Current and Savings Accounts are called CASA deposits and provides deposits at low cost to banks and banks prefer these deposits to term deposits such as FDs.

## **B. Time Deposits**

### **1. Fixed Account Deposits:**

Deposits in fixed account are time deposits. These also called Term Deposits. Money under this account is deposited for a certain fixed period of time varying from 15 days to several years. A high rate of interest is paid. If money is withdrawn before expiry date, the depositor receives lower rate of interest. Deposits can be

renewed for further period. Many banks sanction loans against security of fixed deposits. A variant in the form of Multi Option Deposit is introduced in the recent years. In this account type, savings account can be treated as Fixed Deposit and the balance will be available for withdrawals while earning interest as FDR. Tax saving FDRs for five years are also being offered by the banks.

## **2. Recurring Account Deposits:**

In Recurring deposit, a specified amount is regularly deposited by account holder, at an interval of usually a month. This is to form the habit of small savings among the people. At the end of maturity period, the account holder gets a substantial amount. Interest on this type of deposit is almost equal to fixed deposits. Thus by creating variety of deposits, banks motivate

people in a variety of ways and encourage savings in the economy.

## **C. New types of Accounts**

### **1. Demat Account**

Demat Accounts are used to conduct stress-free transactions on the shares. Nowadays physical delivery of shares is completely discontinued

given the large scale of transactions in shares. Demat accounts provide for electronic trading. Facilities provided under this account are- Opening & maintaining of Demat accounts, Dematerialization, Rematerialization, Purchases, sales, Pledging & Unpledging, safe custody.

## 2. Non Resident Accounts

### 1. Ordinary Non-Resident Rupee Accounts (NRO Accounts)

These are Rupee denominated non-repatriable accounts and can be in the form of savings, current recurring or fixed deposits. These accounts can be opened jointly with residents in

India. When an Indian National / PIO resident in India leaves for taking up employment, etc. outside the country, his bank account in India gets designated as NRO account.

## 2. Non-Resident (External) Rupee Accounts (NRE Accounts)

NRIs, PIOs, OCBs are eligible to open NRE Accounts. These are rupee denominated accounts and can be in the form of savings, current, recurring or fixed deposit accounts.

Accounts can be opened by remittance of funds in free foreign exchange.

### 3. Foreign Currency (Non –Resident) Accounts (Banks) (FCNR (B) Accounts)

NRIs / PIOs / OCBs are permitted to open such accounts in US Dollars, Sterling Pounds, Australian Dollars, Canadian Dollars, Japanese Yen and Euro. The account may be opened only in the form of term deposit for the prescribed term.