

UNIT 19 – BANKING - BANK MEIN ACCOUNT KHULWANA HAI KYA?- TYPES OF BANK A/C

Good Morning Readers,

Today we are posting the types of accounts in Banks. There are very frequent questions from this part asked in many exams earlier. Just have an overview and read it with a light mind.

Types of Bank Accounts

A bank account can be a time deposit account or a term deposit account or a no frill account ie BSBDA .

TYPES OF BANK ACCOUNTS

- a. Savings Bank Account
- b. Current Deposit Account
- c. Fixed Deposit Account
- d. Recurring Deposit Account.
- e. No-Frill Account



a. Savings Bank Account

This type of account can be opened with a minimum initial deposit that varies from bank to bank. Money can be deposited any time in this account. Withdrawals can be made either by signing a withdrawal form or by issuing a cheque or by using ATM card. Normally banks put some restriction on the number of withdrawal from this account. Interest is allowed on the balance of deposit in the account. The rate of interest on savings bank account varies from bank to bank and also changes from time to time. A minimum balance has to be maintained in the account as prescribed by the bank. Interest rate is paid to the account holders on daily balance basis.

b. Current Deposit Account

Big businessmen, companies and institutions such as schools, colleges, and hospitals have to make payment through their bank accounts. Since there are restrictions on number of withdrawals from savings bank account, that type of account is not suitable for them. They need to have an account from which withdrawal can be made any number of times. Banks open current account for them. On this deposit bank does not pay any interest on the balances. Rather the account holder pays certain amount each year as operational charge. For the convenience of the account holders banks also allow withdrawal of amounts in excess of the balance of deposit. This facility is known as overdraft facility.

c. Fixed Deposit Account (also known as Term Deposit Account)

Many a time people want to save money for long period. If money is deposited in savings bank account, banks allow a lower rate of interest. Therefore, money is deposited in a fixed deposit account to earn interest at a higher rate.

d. Recurring Deposit Account

This type of account is suitable for those who can save regularly and expect to earn a fair return on the deposits over a period of time. While opening the account a person has to agree to deposit a fixed amount

once in a month for a certain period. The total deposit along with the interest therein is payable on maturity. However, the depositor can also be allowed to close the account before its maturity and get back the money along with the interest till that period. The rate of interest allowed on the deposits is higher than that on a savings bank deposit but lower than the rate allowed on a fixed deposit for the same period.

e. No Frill Account, ie BSBDA

The Basic Savings Bank Deposit Account allows you to bank with a zero minimum balance requirement. All the existing 'Nofrills' accounts opened by the banks are now converted into BSBDA in compliance with the guidelines issued on August 22, 2012 by the Reserve Bank of India (RBI). BSBDA guidelines are applicable to "all scheduled commercial banks in India, including foreign banks having branches in India". No charge will be levied for nonoperation/activation of inoperative 'Basic Savings Bank Deposit Account'.

Notes:

a) Minimum age to open a bank account is now 10 years.

b) Maximum Interest rate is given on FD A/c.

c) The maximum period of an FD is 10 years & for RD is 5 years.

