

# BHARAT SCHOOL OF BANKING

## TYPES OF BANK ACCOUNT

### TYPES OF BANK ACCOUNTS

This topic is important for bank exams, as generally many questions are asked in bank exams and interview on bank accounts like what are different types of accounts in bank, what is difference between current account and saving account. So understanding this topic is very important.

### VARIOUS TYPES OF BANK ACCOUNTS

1. Saving Account
2. Current Account
3. Recurring deposit Account
4. Fixed deposit Account
5. FCNR Deposit Account
6. NRO Account
7. NRE Account

### Saving Account :

Saving accounts are opened by individuals in banks to save some share of their earnings. Main aim of saving account is to promote saving habit among individuals. These saving accounts are opened on the name of individuals only. On saving account an individual earns some rate of interest, these rate of interest varies from bank to bank, earlier this rate of interest is fixed by RBI but now RBI has given power to banks to decide their own rate of interest on saving account. This rate of interest is usually 4% but some private banks offering 6% rate of interest too. When a person opens a saving account he is provided with a passbook, ATM card, cheque book. In saving accounts there is restriction a person can deposit or withdrawal money within month. Minimum deposit a individual has to maintain in account (In PSU banks) is Rs1000 or less as some bank offering zero balance accounts.

1. eligible for resident Indians above 18 years age
2. above 10 years can be opened with some guardian
3. opened by individual (single /jointly) and HUFs HINDU UNDIVIDED FAMILY
3. interest rates vary from 4% to 6%
4. saving ACCOUNT CALLED –DEMAND DEPOSITS
6. SOME RESTRICTIONS FOR NO OF TRANSACTIONS
7. INTEREST IS CALCULATED ON DAILY BASIS

### Current Account :

Current account are opened for business transactions, on the name of firm or company. Banks offered no rate of interest on money held in current account but provide extra features as compared to current account like there is no limit on depositor withdrawal in current account but no passbook is issued for current account holder. Minimum deposit needed to open current account is Rs5000 or depends on respective bank. Many facilities are provided to current account holder like overdraft facility, statement of account.

1. FIRMS/ COMPANIES /TRUSTS/ASSOCIATION OF PERSONS can open
2. no interest on deposits
3. no limit on no of transactions
4. overdraft facility
5. nomination facility in not available

### Recurring Deposit Account or R.D.

In recurring deposit account is a saving feature that bank offers to their customers, who can save only small amount of money per month. In recurring deposit account a person deposit a fixed sum of money for fixed period like a person deposit Rs 500 per month for one year bank pays interest on the deposit money every month after the completion of fixed period bank pay the deposit money along with interest to his customer. Recurring deposit account are generally meant for salary earning people who can save a fixed sum of money every month.

MAXIMUM PERIOD IS NORMALLY 120 MONTHS OR 10 YEARS

# BHARAT SCHOOL OF BANKING

## TYPES OF BANK ACCOUNT

### LOAN FACILITY IS AVAILABLE UP TO 90%

Nomination facility is available

Penalty for premature closure Fixed Deposit Account or Term Deposit Account In fixed deposit account, a person deposit a fixed sum of money one time only for the fixed period bank pays the rate of interest on the fixed deposit account depends on tenure of deposit account, after the completion of period bank pay the amount along with rate of interest incurred on the amount. Banks also charge penalty if premature withdrawal is done if person need money before the completion of fixed period. For NRI to invest in India and earn interest on their hard earned money, as rate of interest offered by Indian banks is higher than western counterparts so it is an attraction option to deposit money in Indian banks and earn good rate of interest.

RBI allow three type of account to NRI by which they can deposit their money in India

time liabilities - fixed deposits, recurring deposits

demand liabilities- saving deposits, current accounts

loan facility- 90% available

15G OR 15H ( FOR SENIOR CITIZENS ) for avoid TDS

FOR TAX DECTIONS FORM NO. 16 A to show IT RETURNS

PAN CARD NO MUST FOR MORE THAN 50000/-

### TWO TYPES FIXED DEPOSITS

1. STANDARD -3,6,12 MONTHS

2. CUMULATIVE- AT THE TIME MATURITY

### BULK DEPOSITS

1. DEPOSITS OF RS. 1 CRORE AND ABOVE CALLED BULK DEPOSITS

2. INTEREST RATES VARY BASED ON QUANTUM OF DEPOSIT not tenure

3. HIGH INTEREST RATE, SO THE COST OF FUNDS IS HIGH

4. NORMALLY THESE DEPOSITS ARE OBTAINED FROM HIGH NET WORTH INDIVIDUAL - HNIs

5. bulk deposits is 15 % of their total deposits

6. help the bank to maintain asset liability ratio

### FCNR Deposit Account

FCNR stand for Foreign Currency Non -Resident account

This account is opened by NRIs In this account a person invest a fixed sum of money for a period not less than one year and max five years in any foreign currency in fcnr account. After the completion of fixed period principal and interest is paid in foreign currency in which he had deposited. In this way NRI are save from foreign exchange rate risk

### NRO Deposit Account

NRO stand for Non Resident Ordinary saving account

The Non Resident Ordinary Account (NRO Account) is a Savings / Current. Recurring Deposit / Fixed Deposit bank account held in India, in Indian Rupees. NRO account is opened by any person resident outside India only who want to earn attractive rate of interest in India and also have some earnings in India (such as rent income, dividend, pension, etc). This account is best suited for NRI or PIO who have some earnings in India as these earnings are deposit in NRO account. NRO account is only operated in Indian currency only. Average monthly balance in NRO saving account is Rs1,50,000. NRIs can remit up to 1 million per calendar year. Banks are free to determine their interest rates on savings deposits under

### Ordinary

Non-Resident (NRO) Accounts. However, interest rates offered by banks on NRO deposits cannot be higher than those offered by them on comparable domestic rupee deposits

# BHARAT SCHOOL OF BANKING

## TYPES OF BANK ACCOUNT

### NRE Account

#### NRE stands for Non Resident External Account

The Non Resident External Account (NRE Account) is a Savings / Current. Recurring Deposit / Fixed Deposit bank account held in India, in Indian Rupees. Such accounts can be opened only by the NRI. Balances held in NRE account are fully repatriable. With effect from March 1, 2014, interest rates offered by banks on NRE deposits cannot be higher than those offered by them on comparable domestic rupee deposits cost of funds

A cost of funds index or COFI is a regional average of interest expenses incurred by financial institutions, which in turn is used as a base for calculating variable rate loans. The interest rate on an adjustable rate mortgage, for example, is often linked to a regional COFI specified in the particular loan documents. COFIs, in turn, are usually calculated by a self-regulatory agency like Federal Home Loan Banks. In California, for example, many home mortgage loans are indexed to the Federal Home Loan Bank of San Francisco. Interest rates on COFI loans and mortgages tend to fluctuate more slowly than variable-rate loans linked to other indexes. An index used to determine interest rate changes for some adjustable-rate mortgages. The 11th District Cost of Funds Index was first introduced in December of 1982. It is a National Monthly Median Cost of Funds defined as interest (dividends) paid or accrued on deposits for Western American Financial Institutions. It is calculated on the last day of the month.

#### What is a 'Yield'/INCOME

The yield is the income return on an investment, such as the interest or dividends received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost, **current market value** or **face value**. Yields may be considered known or anticipated depending on the security in question as certain securities may experience fluctuations in value.

### NIM

Net interest margin (NIM) is a measure of the difference between the interest income generated by banks or other financial institutions and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their (interest-earning) assets.

#### What is 'Net Interest Margin'

Net interest margin is a performance metric that examines how successful a firm's investment decisions are compared to its debt situations. A negative value denotes that the firm did not make an optimal decision, because interest expenses were greater than the amount of returns generated by investments.

### CASA ratio

CASA ratio stands for current and savings account ratio. CASA ratio of a bank is the ratio of deposits in current and saving accounts to total deposits. A higher CASA ratio indicates a lower cost of funds, because banks do not usually give any interests on current account deposits and the interest on saving accounts is usually very low 3-4%. [3] If a large part of a bank's deposits comes from these funds, it means that the bank is getting those funds at a relative lower cost. It is generally understood that a higher CASA ratio leads to higher net interest margin. In India, it is used as one of the metrics to assess the profitability of a bank CASA ratio

**CASA ratio- current account+ saving account/total deposit**