



FACULTY OF JURIDICAL SCIENCES

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Nature and Type of Accounts:

One major aspect of the banking industry is the provision of bank accounts. There are various types of bank accounts which can be opened in any Public or Private sector banks.

Given below is the list of bank accounts that we shall be discussing in this article:

1. Savings Account
2. Current Account
3. Recurring Deposit Account
4. Fixed Deposit Account
5. DEMAT Account
6. NRI Account

Initially, there were only four types of bank accounts that were operating in India. These included the Current Account, Savings Account, Recurring Deposit Account and Fixed Deposit Account. But later with the advancement in the banking sector, various other types of bank accounts were introduced.

Candidates can check the syllabus for the major Government exams conducted in the country in the links given below:

Savings Account

As the name suggests, the savings accounts can be opened by an individual or jointly by two people with an aim to save money.

The main benefit of opening a savings bank account is that the bank pays you interest for opening this type of account with them.

Given below are a few features of the Savings account:

- There is no limit to the number of times the account holder can deposit money in this account but there is a restriction on the number of times money can be withdrawn from this account.
- The rate of interest that an account holder get varies from 4% to 6% per annum
- There is no minimum balance that needs to be maintained for this type of an account
- The savings account holders can get an ATM/Debit/Rupay Card if they want to
- Savings bank account is further divided into two types: Basic Savings Bank Deposit Account (BSBDA) and the other one is Basic Saving Bank Deposit Accounts Small Scheme(BSBDS)
- The savings bank account is mostly eligible for students, pensioners and working professionals

Current Account

The second type of bank account is the current bank account. These accounts are not used for the purpose of savings.

Some important pointers related to the current bank account have been discussed below:

- This type of bank account is mostly opened by businessmen. Associations, Institutions, Companies, Religious Institutions and other business-related works, the current account can be opened
- There is no fixed number of times that money can either be deposited or withdrawn from such accounts
- Internet banking is available
- This type of bank account does not have any fixed maturity
- Overdraft facility is available for current bank accounts
- There is no interest that is paid on such accounts

Recurring Deposit Account

Recurring Deposit account or RD account is a form of account wherein the account holder needs to deposit a fixed amount every month until it reaches the fixed maturity date.

The features of the Recurring deposit account have been discussed below:

- Any individual or an Institution can open a recurring deposit account either separately or jointly
- Periodic or monthly instalments that need to be added can be as low as Rs.50/- or may vary from bank to bank
- The range of months for which an RD account can be opened varies from 6 months to 120 months
- The interest rate varies depending upon the bank you choose to open an account with
- Nomination facility is also available for RC accounts
- Passbook is issued for this type of bank account
- Premature withdrawal of the amount is permitted, provided a sum of amount is deducted as penalty

Fixed Deposit Account

FD or a fixed deposit account is another type of bank account that can be opened in any Public or Private sector bank.

The list of important things that need to be known with respect to the fixed deposit account has been mentioned below:

- It is a one time deposit and one time take away account. Under this type of account, the account holder needs to deposit a fixed amount of sum (as per their wish) for a fixed time period
- The amount deposited in FD account can only be withdrawn all at once and not in instalments
- Banks pay interest on the fixed deposit account

- The rate of interest depends upon the amount you deposit and for the time duration of the FD
- Full repayment of the amount is available before the maturity date of FD

DEMAT Account

Shares and securities which can be held in electronic format constitute the DEMAT account. The DEMAT account also stands for Dematerialized Account.

Given below the points that need to be known by a candidate regarding the DEMAT Account:

- There are only two depository organisations which manage this type of bank account in India. This includes: National Securities Depository Limited and Central Depository Services Limited
- This helps facilitate easy trade of bonds and shares
- Helps in conducting stress-free transaction of shares
- KYC is required for opening the DEMAT Account
- Transaction cost is reduced
- Traders can work from anywhere
- The transfer of securities can be done with reduced paperwork

NRI Account

To fulfil the bank requirements of a Non-Residential Indian or a Person of India Origin, the option of NRI account is available.

The NRI Accounts are further divided into three types:

1. **NRO (Non-Resident Ordinary Rupees) Account** – This shall allow you to transfer your foreign earnings easily to India. It can be opened in the form of an FD/RD/Current/Savings account. These accounts can be opened by an individual or jointly opened
2. **NRE (Non-Resident External Rupees) Account** – When an Indian citizen moves abroad to work there, his/her account needs to be converted into an NRE account. This account can be jointly opened with an Indian resident
3. **FCNR (Foreign Currency Non-Resident) Account** – This type of account can be opened to manage an international currency. It can only be in the form of Term deposit and can be withdrawn after the maturity period only.

Candidates should check out the video for detailed clarifications on Types of Bank Accounts-

Importance of Bank Accounts

To help manage the finances here are some excellent reason to have a bank account-

1. Bank accounts offer simplicity for transactions. one can easily withdraw money and make payments if they have a bank account.
2. Having bank accounts offers a safe treasury of your hard-earned money and even if the bank or the unions are close you are sure to get back your money.
3. Most banks and financial institutions offer the account holders free or low-cost services, hence bank accounts are cheaper.
4. It is an easy way to grow money. Most banks offer an interest rate when you put your money in a savings account. The interest will help your money grow over time.
5. It offers easy access to credits. Having a bank account is favourable as banks provide the facility to access credits to its customers for Personal loan, home loan, education loan etc.

Aspirants must go through the above-mentioned information carefully as it forms an important topic for financial as well and banking awareness topics.

Candidates who are looking for any further information regarding the upcoming Government exams can turn to BYJU'S for help.

Frequently Asked Question – Types of Accounts in Bank

Q.1. What is the different type of bank accounts?

Ans. The different types of bank accounts are – Savings Account, Current Account, Recurring Deposit Account, Fixed Deposit Account, DEMAT Account, NRI Account.

Q.2. What is the full form of DEMAT account?

Ans. The DEMAT account also stands for Dematerialized Account.

Q.3. What is a DEMAT Account?

Ans. Shares and securities which can be held in electronic format constitute the DEMAT account. There are only two depository organisations which manage this type of bank account in India. This includes: National Securities Depository Limited and Central Depository Services Limited

Q.4. How many types of NRI accounts are there?

Ans. NRI Bank Accounts are further classified into three types – NRO (Non-Resident Ordinary Rupees) Account, NRE (Non-Resident External Rupees) Account, and FCNR (Foreign Currency Non-Resident) Account.

Q 5. What type of bank accounts are best for everyday transactions?

Ans. Current accounts are best for day to day transactions as there is no fixed number of times that money can either be deposited or withdrawn from such accounts. These accounts are not for saving purposes and is mostly opened by businessmen.

MCQ:

1. Which bank is known as banker's bank?

- a. RBI
- b. SBI
- c. PNB
- d. NABARD

2. A banking system where business is carried on by a bank through a network of branches spread throughout the country is known as

- a. Unit banking
- b. Branch banking
- c. chain banking
- d. group banking

3. refers to a system of banking in which two or more independent banks are brought under the control of a holding company

- a. Group banking
- b. chain banking
- c. deposit banking
- d. investment banking

4. Banking is a system where banks combine both the deposit banking and investment banking functions

- a. Chain banking
- b. deposit banking
- c. investment banking
- d. mixed banking

5. India's first women's bank The Bharatiya Mahila Bank was inaugurated in which city?

- a. Mumbai
- b. Delhi

c. Kolkata

d. Chennai