

Lesson 16

Bank Deposit Account

You have already learnt that the main banking activities consist of acceptance of deposit from the public for the purpose of lending to businessmen and others who may seek loans. Actually the money deposited in any bank is mostly the saving of the people. As you know, if someone earns money and has regular income, he or she not only spends it for day-to-day expenses but also tries to save a part of the income for future needs. Money may be needed in future for various purposes like medical treatment in case of illness in the family, expenses on account of marriage, or for higher studies of the children, or to celebrate religious festivals, etc. The money saved to meet future needs may be kept at home. But will it be safe at home? It may be stolen. Moreover, the money saved will remain idle at home without any return. So people keep their savings with someone where it will be safe and earn a return. Bank is such a place where money once deposited remains safe and also earns interest. In this lesson, we shall learn about the types of deposit accounts that can be opened in a bank, and also discuss how a savings bank account can be opened and operated.

16.1 Objectives

After studying this lesson, you will be able to:

- classify bank deposit accounts;
 - discuss the steps to be taken for opening a Savings Bank Account; and
 - describe the procedure of operating a Savings Bank Account.
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16.2 Types of Bank Deposit Accounts

Bank deposits serve different purposes for different people. Some people cannot save regularly; they deposit money in the bank only when they have extra income. The purpose of deposit then is to keep money safe for future needs. Some may want to deposit money in a bank for as long as possible to earn interest or to accumulate savings with interest so as to buy a flat, or to meet hospital expenses in old age, etc. Some, mostly businessmen, deposit all their income from sales in a bank account and pay all business expenses out of the deposits. Keeping in view these differences, banks offer the facility of opening different types of deposit accounts by people to suit their purpose and convenience.

On the basis of purpose they serve, bank deposit accounts may be classified as follows:

- a. Savings Bank Account
- b. Current Deposit Account
- c. Fixed Deposit Account
- d. Recurring Deposit Account.

Let us briefly note the nature of the above accounts.

a. Savings Bank Account : If a person has limited income and wants to save money for future needs, the Saving Bank Account is most suited for his purpose. 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.

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 restriction 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. Like savings bank account, this account also requires certain minimum amount of deposit while opening the account. On this deposit bank does not pay any interest on the balances. Rather the accountholder pays certain amount each year as operational charge.

For the convenience of the accountholders banks also allow withdrawal of amounts in excess of the balance of deposit. This facility is known as overdraft facility. It is allowed to some specific customers and upto a certain limit subject to previous agreement with the bank concerned.

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 a interest at a higher rate.

This type of deposit account allows deposit to be made of an amount for a specified period. This period of deposit may range from 15 days to three years or more during which no withdrawal is allowed. However, on request, the depositor can encash the amount before its maturity. In that case banks give lower interest than what was agreed upon. The interest on fixed deposit account can be withdrawn at certain intervals of time. At the end of the period, the deposit may be withdrawn or renewed for a further period. Banks also grant loan on the security of fixed deposit receipt.

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 account can be opened by a person individually, or jointly with another, or by the guardian in the name of a minor. 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.

Recurring Deposit Accounts may be of different types depending on the purpose underlying the deposit. Some of these are as follows:

- a. Home Safe Account** (also known as Money Box Scheme): Small savers find it convenient to deposit money under this scheme. For regular savings, the bank provides a safe or box (Gullak) to the depositor. The safe or box cannot be opened by the depositor, who can put money in it regularly, which is collected by the bank's representative at intervals and the amount is credited to the depositor's account. The deposits carry a nominal rate of interest.
- b. Cumulative-cum-Sickness Deposit Account:** Regular deposits made in this type of account serve the purpose of having money to meet large expenses in case there is sudden illness or other unforeseen expenses. A certain fixed sum is deposited at regular intervals in this account. The accumulated deposits over time along with interest can be used for payment of medical expenses, hospital charges, etc.
- c. Home Construction deposit Scheme/Saving Account:** This is also a type of recurring deposit account in which money can be deposited regularly either for the purchase or construction of a flat or house in future. The rate of interest offered on the deposit in this case is relatively higher than in other recurring deposit accounts.

Intext Questions 16.1

A) Which of the following statements are true and which are false?

- i. Deposits made in savings bank account serve to meet present as well as future needs.
- ii. A fixed amount is required to be deposited in a Fixed Deposit Account every month.

- iii. The rate of interest on deposits made in a Recurring Deposit Account is relatively higher than on savings bank deposits.
- iv. Current Deposit Account can be opened only by businessmen, not by an educational institution.
- v. Home Construction Saving Deposit Account is a type of recurring deposit account.
- vi. The rate of interest allowed on fixed deposit depends on the length of the period for which the deposit is made.
- vii. In the case of savings bank account withdrawal of money is allowed only to the account-holder.
- viii. Banks do not pay interest on the balance of current deposit account.

B) Fill in the blanks with suitable words.

- a. Savings Bank Account can be opened with a _____ amount of deposit.
- b. A fixed Deposit Account carries interest at a rate, which is _____ than that on savings bank account.
- c. Overdraft facility is allowed to holders of _____ deposit account.
- d. Money can be withdrawn from current account by issuing _____.
- e. The rate of interest allowed on the balance of recurring deposit account is _____ than the rate allowed on fixed deposit account.

16.3 How to open a Savings Bank Account

To open a savings bank account in a commercial bank, you have to first decide what amount of money you would like to deposit initially. You may enquire and find out from the nearest bank what is the minimum amount to be deposited while opening a savings bank account. You have to deposit at least that amount or more, if you want. On entering a bank (any branch of a bank) you will find a counter for enquiry (or a counter with: 'May I help you' board). Having known the minimum amount to be deposited, you should ask for a form of application for opening Savings Bank Account. You are not required to pay anything for it. You should then take the following steps:

i. Filling up the Form

The application form has to be filled up giving the following necessary information:

- a. Name of the person (applicant)
- b. His/her occupation
- c. Residential Address
- d. Specimen signature of the applicant
- e. Name, address, account number and signature of the person introducing the applicant

Besides the above information you have to give an undertaking that you will abide by the rules and regulations of the bank, which are in force. At the end of the application form, you have to put your signature. (In some banks it is required to attach two passport size photographs of the applicant along with the application.)

ii. Proper Introduction

Every bank requires that a person known to the bank should introduce the applicant. It may be convenient to be introduced by a person having already an account in that bank. Some banks may accept the attested copy of Passport or Driving Licence, if any, of the applicant. In that case personal introduction is not necessary. Introduction is required to prevent the possibility of opening of account by an undesirable person.

iii. Specimen Signature

The applicant has to put his/her specimen signatures at the blank space provided on the application form for that purpose. In addition, specimen signatures have to be put separately on a card on which a photograph of the applicant may be pasted, along with his/her name and account number.

After the above steps have been taken and the officer concerned is satisfied that the application form is in order, money is to be deposited at the cash counter after filling in a printed 'Pay-in-slip'. An account number will then be allotted and written on the application form as well as the card having your specimen signatures. At the same time you will be issued a Passbook with the initial deposit recorded in it. All future deposits and withdrawals will also be entered in the passbook, and it will remain with you. If you want to use cheques for withdrawal or payment of money out of your deposits, a cheque book will be issued on your request. A cheque form is a printed form in which you may issue an order to the bank to pay the amount specified in it to a person.

16.4 Procedure for Operating Savings Bank Account

Once you have opened the account, you must also know how to operate the account. In other words, you have to know the procedure to be followed for further deposits to be made in the account and for withdrawing money from the account.

i. Deposit in the Account

How will you deposit money in your account? You have already used a 'Pay-in-slip' for deposit of the initial amount while opening your account. It is a printed form, which you get in the bank.

Each 'pay-in-slip' has two parts divided by perforation, the right-hand part known as 'foil' and the left-hand part known as 'counter-foil'. The slip has to be filled up while depositing cash or a cheque. Separate pay-in-slip form will have to be filled up while depositing both cash and cheques.

Suppose you have to deposit cash in your account. The pay-in-slip has to be filled giving the date of deposit, your name or account-holder's if you deposit money in somebody's account, account number, and the amount deposited in figures and words. Besides you have to enter on the slip, in the place indicated, how many currency notes of different denominations (Rs. 5, 10, 20, 50, 100, etc.) are being deposited along with the amount against the types of notes. The bank will have a counter for cash receipts. You have to sign and present the pay-in-slip there and

also hand over the amount of cash. The receiver will keep the foil (right hand part) of the pay-in-slip while the left-hand part (counter-foil) will be rubber-stamped, signed by him, and returned to you.

Specimen of pay-in-slip

Instead of cash, suppose you have to deposit cheque, which you have got in payment of your salary from the office in which you are employed. You may like to deposit it in your bank account instead of going to another bank to encash it. Your bank will collect the amount of the cheque and record it as a deposit in your savings bank account.

To deposit the cheque you have to use the pay-in-slip again, filling in particulars like the date of deposit, the account number, name of the account-holder, the serial number and date of the cheque, name and address of the bank on which the cheque is drawn, and the amount of the cheque in figures and words. After signing the slip, you have to attach the cheque with the foil by an awl pin, and present the slip at the counter for cheque receipt. The person at the counter will keep the foil with the cheque attached, and return to you the counter-foil with bank rubber stamp and his signature. In some banks, there is a box kept near the counter. The bank rubber stamp is also available at the counter. The depositor is to put the rubber stamp on the foil and counter-foil. Then after separating the counter-foil, the cheque along with the foil is to be dropped in the box through a slit.

ii. Withdrawal from Deposit Account

You deposit your savings for use in future. The need for money may arise any time. So you should know how to get back your money from the bank. In the above section you have learnt about the procedure for deposit of money in the savings bank account. Let us know the procedure for withdrawal of money from your account.

Money can be withdrawn by using

- a) Withdrawal form
- b) Cheque
- c) ATM card

a. Withdrawal Form: Every bank has printed withdrawal forms, which can be used by account-holders to withdraw cash from deposit accounts.

Specimen of withdrawal form

The form has to be filled in, mentioning the date of withdrawal, account number, amount to the withdrawn (in figures and words) and the signature of the account holder. You have to produce it along with your passbook at the counter at which your account is handled. At the counter the officer concerned generally passes the form for payment after checking the balance in the account and the signature on the form against the specimen signatures on record. The amount of withdrawal is recorded in the passbook, and payment is made at the counter if the amount is within a certain limit (say, Rs. 5,000), otherwise a disc or token is given which bears a number. This has to be presented at the cash payment counter for receiving the amount withdrawn.

b. Cheque: As an account-holder you can withdraw cash from your savings bank account either by filling in and signing a withdrawal form or by issuing a cheque. Withdrawal forms can be used only by the account-holder, no one else.

.....20.....

Pay.....

..... or Bearer

Rupees.....

Rs. _____

STATE BANK OF INDIA

Jawaharlal Nehru University, New Delhi – 110067

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6 5 3 0 0 3 1 1 0 0 0 2 0 5 6 1 0

Specimen of Cheque

Cheques can also be issued for payment to other parties. Thus, a cheque issued to another person can be either encashed by him at the bank, or deposited in his account in some other bank to be collected on his behalf.

Withdrawal by issue of cheque requires the same procedure to be followed as that for withdrawal by filling in and signing the withdrawal form explained above. In both cases the amount of withdrawal is recorded in the books of the bank in the relevant savings bank account. Interest allowed on the balance of deposit is also recorded in the relevant accounts maintained in the books of account of the bank. These are also entered in the Pass Book as and when presented by the account-holder to the bank.

c. ATM Card: Banks issue ATM card to its depositors for easy withdrawal of money from their accounts. This card is used for withdrawal of money from saving and current deposit account through Automated Teller Machine (ATM). It is a magnetic card, which can be operated by using a particular secret number. It is the most convenient system of withdrawal of money.

● **Teller Counters :** To facilitate quick transaction, banks provide teller counters to withdraw money from the deposit account. There are two types of teller counters:

- a) Manual teller counter; and
- b) Automatic teller counter.

In manual teller counters banks generally allow withdrawal of money from the savings accounts for amount upto a limit (which may be from Rs. 5,000 to Rs. 10,000). The cheque or withdrawal form is presented at the counter and payment is made after verifying the balance in the account, and tallying the specimen signature of the account holder.

In automatic teller counters ATMs are installed to handle cash transactions 24 hours without any break. There is no need to appoint any body to verify your balance, compare the specimen signature or hand over or take over the cash. Let us learn how an ATM machine operates.

When a bank installs ATMs, it gives a magnetic card along with a secret code number to every account holder. This code number is called Personal Identification Number (PIN). When a cardholder wants to withdraw or deposit money, first he has to establish his identity to operate the ATM by mentioning his PIN. When an ATM card is inserted into the machine it asks for the PIN. The PIN can be entered either by using the keyboard or touching the screen of the machine. Once the identity is established then money can either be deposited or withdrawn simply by following the instruction given by the machine. For deposit of cash it is required to keep the amount in a special envelop, which is available at the ATM center. After sealing the envelope and writing the necessary information on it, the envelope will be kept near a slit. Then on pressing the deposit button the envelope will automatically be entered into the machine. The bank officials will collect those envelopes at regular interval and credit the amount in the respective accounts. Similarly, withdrawal of money can be made by pressing or touching the withdrawal button and then mentioning the amount of money required. The exact amount of money will be made available to you instantly through the outlet.



Intext Questions 16.2

I. Which of the following statements are true and which are false?

- (i) Pay-in-slip is required to be used while opening a savings bank account.

- (ii) Withdrawal form cannot be used by an account-holder if he/she uses cheques for withdrawing cash from savings bank account.
- (iii) A savings bank account-holder cannot introduce another person at the time of opening a savings bank account.
- (iv) The passbook must be presented by the account-holder for entering deposits and withdrawals by the bank.
- (v) Application form for opening a savings bank account is available free of charge.
- (vi) To make payment to a third party by cheque, the name of the party must be mentioned on the cheque.
- (vii) Cheque book is issued by the bank only on the request made by an account-holder.
- (viii) A passbook is issued by the bank immediately after opening of the savings bank account.

II. Fill in the blanks with appropriate words:

- a. Counterfoil of the pay-in-slip is returned to the _____ by the bank.
- b. The right-hand part of the pay-in-slip is called the _____.
- c. A cheque needs to be attached to the _____ of the pay-in-slip before deposit.
- d. Before payment of a cheque, the signature of the account-holder is verified with the _____.
- e. The Teller system helps quick _____ of cash by account-holders.
- f. Deposit of cash into savings bank account can be made at the _____ counter.

16.5 What You Have Learnt

- Bank deposits serve different purposes for different people. Keeping in view these differences, banks offer the facility of opening different types of deposit accounts by people to suit their convenience and purposes, as follows:
 - Savings Bank Account
 - Current Deposit Account
 - Fixed Deposit Account
 - Recurring Deposit Account
- There are different types of Recurring Deposit Accounts, like Home Safe Account, Cumulative-cum-Sickness Deposit Account, House construction Deposit Account, etc.
- To open a Savings Deposit Account in a commercial bank, you have to take the following steps:

- i. Fill up an application form;
 - ii. Arrange proper introduction on the form by a person known to the bank or an account-holder of the bank;
 - iii. Put your specimen signatures on the application form and on a separate card;
 - iv. Deposit the minimum amount of cash or more at the counter with a pay-in-slip filled in and signed by you;
 - v. Having got the account number allotted on your application form, make a request for a chequebook, if you want.
- Operating the saving bank account involves deposit and withdrawal of money. Money can be deposited in cash or cheques by using pay-in-slips.
 - Money can be withdrawn by using withdrawal slip, cheques or ATM card.
 - To facilitate quick transaction banks provide teller counters for withdrawal of money. There are two types of teller counters, one, automatic and other manual. In automatic counters Automated Teller machine is installed to facilitate withdrawal and deposit of cash any time.

16.6 Terminal Exercise

1. Describe the procedure of opening a savings bank account in a bank.
2. State the procedure for depositing cash in the savings bank account.
3. What procedure will you follow for depositing a cheque in your savings bank account?
4. Describe the use of withdrawal form for operating savings bank account.
5. What particulars do you have to fill in the form of application while opening a savings bank account?
6. State how will you withdraw cash from your savings bank account.
7. Describe briefly the use of pay-in-slips for depositing cash or cheques into the savings bank account.
8. What is pay-in-slip? State its utility.
9. Can you withdraw an amount in excess of the balance in your savings bank account? Give reason in support of your answer.
10. What is ATM? How does it help the customers of the bank?
11. While opening a savings bank account, why is it necessary to arrange introduction of the applicant by a person known to the bank?
12. What are the different methods of withdrawing money from the saving bank account?

13. Apart from safe-keeping of money why does a businessman need to have a current account?
14. Describe the procedure of withdrawal and deposit of money through ATM.
15. Explain the utility of Automated Teller Machine.

16.7 Key to Intext Questions

- 16.1 A)
- i. True
 - ii. False
 - iii. True
 - iv. False
 - v. True
 - vi. True
 - vii. True
 - viii. True
- B)
- a. Minimum
 - b. Higher
 - c. Current
 - d. Cheque
 - e. Lower
- 16.2 I.
- i. True
 - ii. False
 - iii. False
 - iv. True
 - v. True
 - vi. True
 - vii. True
 - viii. True
- II.
- (a) Account- holder / depositor
 - (b) Foil
 - (c) Foil
 - (d) Specimen signature
 - (e) Withdrawal
 - (f) Cash receipts

Activity For You

- i. Go to the nearest branch of any bank and collect a pay-in-slip form used for depositing money. Try to fill it with the help of imaginary figures.
- ii. Collect information about
 - a. Minimum amount required to open various deposit accounts;
 - b. Rate of interest payable on savings bank, recurring and fixed deposit accounts;