

**Important Topics Exposition:**

*[The important information of this chapter has been provided here at a glance.]*

**1. Concept of Bank Deposit:**

Deposit is the main source of banking business. Deposit can be collected in many ways. In particular commercial banks collect deposit through opening different bank accounts on the basis of the needs of the clients and organization. Generally, commercial banks collect deposit through current, savings and fixed accounts and then utilize it effectively.

**2. Purposes and importance of Bank Deposits:**

Importance of bank deposit or bank account has completely different significance from the client's or depositor's and bank's perspectives. Again, in micro-economics bank deposits play some important roles. These are briefly demonstrated in the below:

**❖ For Clients:****a. Security of Money:**

One of the main purposes of bank is to ensure security of surplus money of the clients.

**b. Business Transaction:**

Banks make business transaction through cash or other banking products, such as cheques, bills of exchange, bank draft etc.

**c. Loan Facility:**

Banks offer loans to its current or savings account holders if needed. To receive this facility its necessary to open a bank account.

**d. Risk-free Investment:**

Banks offer interests in certain rates to its depositor. It does not involve any risk like making an investment in the share market. Therefore, it is a risk-free investment.

**e. Availing Services:**

Banks offer various welfare activities to clients for opening a bank account and this attracts people to preserve bank accounts.

**f. Meeting Demand of Excess Fund:**

Banks allow their clients to overdraft so that they become attracted to deposit money.

❖ **For the Bank:**

**a. Collecting Deposit:**

Banks accept the savings of people as deposits through various accounts and create their fund.

**b. Investment:**

Banks invest the money collected from their clients in various profitable sectors. So, it is a major objective of banks to ensure profitable investment.

**c. Foreign Exchange:**

Banks also do business of foreign exchange, where sometimes the clients need to open bank accounts to receive the facilities offered by the banks.

❖ **In National Economic Development:**

**a. Forming a Habit of Saving:**

People form a habit of saving by opening bank accounts.

**b. Creating Capital:**

Idle savings of people accumulated through bank account and create capital.

**c. Investment and Production:**

Investment increases because of bank accounts which play important role in a country's production and economic growth.

**d. Employment Generation:**

New employments are created due to enhanced economic activities facilitated by investment through bank accounts.

**e. International Trade:**

Banks participate in export-import business through their clients' accounts and increase international trade.

**3. Kinds of Bank Accounts:**

Banks offer scopes for opening various kinds of accounts according to their clients' demand. Bank accounts can be categorized into the following types based on people's occupation, need, time, location and demand:

- A) **Current Account**
- B) **Savings Account**
- C) **Fixed Deposit**

**A. Current Account:**

The kind of account that facilitates a client to deposit and withdraw money whenever a client wants is called a current account. This type of account is more suitable for businesspersons and usually no interest is offered for such an account. More than deposited amount of money can be withdrawn in such an account.

## **B. Savings Accounts:**

The account in which money can be deposited any time, but withdrawn twice a week or in such regulated frequency is called savings account. Usually fixed income people who are not involved in business open such accounts. A small rate of interest is offered for such accounts. However, now a days some banks don't impose any restrictions in frequency of depositing or withdrawing money.

## **C. Fixed Deposit:**

When a bank account is opened for a certain period of time, it is called fixed deposit. A fixed deposit account can usually be opened for a period of one month, three months, six months, one year, two years, five years etc. In such an account, high rates of interest are offered but a client cannot withdraw his/her money. However, the client may be allowed to withdraw money before the period ends if urgently needed, but in such a situation he/she will not be able to get any interest.

## **4. Things to Consider while Opening a Bank Account:**

You may find several banks nearby. You now intend to open an account with a bank. But how will you decide which bank you will open your account with? Consider the following points while opening a bank account:

### **a. Location of Bank:**

Before opening an account, a depositor considers location of bank from his/her business Centre or his residence.

### **b. Efficiency:**

Efficiency of the employees of bank is one of the issues to be considered before opening a bank account.

### **c. Multifarious Services:**

The bank that offers diverse services is more suitable for opening an account.

### **d. Foreign Exchange:**

Every branch of a bank cannot do foreign exchange. If you need to have foreign exchange facilities, you should examine whether the bank in which you intend to open your account is allowed to deal with foreign exchange.

### **e. Good-will:**

Good-will of a bank plays an important role in considering whether to open account. The bank that is better-known and older has a better good-will.

### **f. Branches:**

The bank that has more branches is more suitable.

### **g. Scheduled Bank:**

As the central bank, Bangladesh bank recognizes better banks as scheduled banks. Scheduled banks are considered more secured compared to non-scheduled banks

### **h. Loan Facility:**

The bank which has more liberal policy in offering loan is more preferred.

### **i. Interest:**

Clients prefer the banks that offer relatively higher interest on deposits and lower interest on loan is more acceptable.

**j. Service Tariffs:**

It's better to open an account with the bank that charges lower tariffs on more services.

**k. Electronic Banking:**

The banks which offer services like online banking, any branch banking, ATM facilities etc. are now-a-days more attractive to the potential clients.

**5. How to Open a Bank Account:**

A client may open different types of accounts in different banks according to his/her purpose and requirement. When he/she needs to make transaction of large amount of money and in high frequency for business or trade, it's better to open a current account. Otherwise savings account is preferable for both transaction and saving purposes. However, a client opens a fixed deposit account only if he/she is interested in making time-bound saving. To open any kind of account, a client is required to fill-in a client's details form. In this form, a client usually gives details of him/herself and his/her transactions:

- Name of the client
- Sources of income
- Photocopy of National Identity card/passport
- occupation
- photograph of the client
- Photograph of the nominee
- Amount of deposit
- Present address
- Permanent address
- Business or office area
- Contact number etc.

**6. How to Close a Bank Account:**

A client can close his/her bank account in various ways, which are discussed below:

- a. Client's request letter to close the account (request letter approved by the company meeting in case of a company account)
- b. Unused cheque-book, pass-book, debit/credit card must be returned.

If there is no unpaid loan from the client, the bank closes his/her account when requested.

## **CQs for Self-assessment (Board CQ):**

1. Mr. Rajon is a skill business person. Generally, he purchases and sells goods in cash. Due to the expansion of the business now he carries a large amount of cash for purchase and sales of goods. For this he feels insecure. For that he is considering to open an account with bank.
  - a. What is the elaboration of A.T.M.?
  - b. What kind of bank account does not offer any interest to the clients? Explain.
  - c. What type of bank account will be suitable to open for Mr. Rajon? Discuss.
  - d. “A service of the bank makes business of clients like Mr. Rajon easier” – Evaluate the statement.
  
2. Mr. Shuvon has an account with bank. At a midnight his father become ill suddenly and he has to be hospitalized. At that moment he had no cash with him and not sufficient money to bank account. But by the special services of the bank he collects the money and complete the treatment if his father.
  - a. What is the main source of fund in banking business?
  - b. Why is investment tool issued by government risk free? Explain.
  - c. What type of bank service Mr. Shuvon completed for his father’s treatment? Explain.
  - d. Analyze the role of bank deposit in view point of Mr. Shuvon.