

**DEPARTMENT OF COMMERCE (CA)**  
**Banking (Semester-V)**  
**III-UG Non-Major Elective                      Sub Code-18BCA5EL**  
**Unit-III**

**Relationship between Banker and Customer-General and special relationship-Types of bank account -opening accounts-Bank deposits and various deposits schemes.**

**RELATIONSHIP BETWEEN BANKER AND CUSTOMER**

**Definition of Banker**

A banker is one who, in the ordinary course of his business receives money which he repays by honoring cheques of persons from whom or on whose account he receives it.”- H.L.HART

**Customer definition**

A customer is any person who buys for resale directly from the seller, or the seller's agent or broker. In addition, a “customer” is any buyer of the seller's product for resale who purchases from or through a wholesaler or other intermediate reseller.

**BANKER CUSTOMER RELATIONSHIP**

The relationship between a banker and a customer depends on the activities; products or services provided by bank to its customers or availed by the customer. Thus, the relationship between a banker and customer is the transactional relationship. Bank’s business depends much on the strong bondage with the customer. “Trust” plays an important role in building healthy relationship between a banker and customer

**BANKER CUSTOMER RELATIONSHIP**

**Debtor and Creditor:**

When a customer opens an account with a bank and if the account has a credit balance, then the relationship is that of debtor (banker / bank) and creditor (customer).

In case of loan / advance accounts, banker is the creditor, and the customer is the debtor because the customer owes money to the banker. The banker can demand the repayment of loan / advance on the due date, and the customer has to repay the debt.

**Pledger and Pledgee:**

This happens when customer pledges (promises) certain assets or security with the bank in order to get a loan. In this case, the customer becomes the Pledger, and the bank becomes the pledgee

**Licensor and Licensee:**

When the banker gives a safe deposit locker to the customer, the banker will become the Licensor and the customer will become the Licensee.

**Bailor and Bailee:**

The relationship between banker and customer can be that of Bailor and Bailee.

1. Bailment is a contract for delivering goods by one party to another to be held in trust for a specific period and returned when the purpose is ended.
2. Bailor is the party that delivers property to another.
3. Bailee is the party to whom the property is delivered.

So, when a customer gives a sealed box to the bank for safe keeping, the customer became the bailor, and the bank became the bailee.

**Hypothecator and Hypothecatee:**

When the customer hypothecates (pledges) certain movable or non-movable property or assets with the banker in order to get a loan, the customer became the Hypothecator, and the Banker became the Hypothecatee.

**Trustee and Beneficiary:**

A trustee holds property for the beneficiary, and the profit earned from this property belongs to the beneficiary. If the customer deposits securities or valuables with the banker for safe custody, banker becomes a trustee of his customer. The customer is the beneficiary so the ownership remains with the customer.

**Agent and Principal:**

The banker acts as an agent of the customer (principal) by providing the following agency services:

- Buying and selling securities on his behalf,
- Collection of cheques, dividends, bills or promissory notes

Acting as a trustee, attorney, executor, correspondent or representative of a customer.

Banker as an agent performs many other functions such as payment of insurance premium, electricity and gas bills, handling tax problems, etc.

**Advisor and Client:**

When a customer invests in securities, the banker acts as an advisor. The advice can be given officially or unofficially. While giving advice the banker has to take maximum care and caution. Here, the banker is an Advisor, and the customer is a Client.

## **SPECIAL FEATURES OF BANKER & CUSTOMER RELATIONSHIP**

It is grouped into Rights and Obligations

### **a) Bank's Right of General Lien:**

“Lien” is a term used to identify the right to retain a property which is retained by the lender or creditor against the specific or particular loan.

i) Particular Lien: Refers to a particular property which is retained.

ii) General Lien: Right of the banker (creditor) to retain all the properties of debtors(customers) till all the sum due to the bank are recovered.

### **b) Right to Charge Interest, Commission:**

Bank has the right to charge interest, commission for services provided.

### **c) Right of set off:**

It is the right to adjust the accounts of one against the other between the debtor and the creditor to determine the net balance due.

### **d) Right to appropriate payments:**

The need of appropriation arises in case a customer raises more than one loan account.

## **Types of Bank Accounts**

The different types of bank accounts have been discussed at length in this article. The details and benefits of each type of bank account constitute an important part of the General Awareness syllabus for major Government exams conducted in the country.

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.

This topic essentially forms a very important part of the financial and banking awareness section of the various bank exams.

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 installments 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 have 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 installments
- Banks pays 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.

## **Process to Open a Bank Account**

1. Choose a **Bank** or Credit Union.
2. Visit the **Bank** Branch or Website.
3. Pick the Product You Want.
4. Provide Your Information.
5. Your Financial History.
6. Consent to the Terms.

7. Print, Sign, and Mail (If Required)
8. Fund Your **Account**.

### **Types of Deposit and Accounts**

Money and banking are part of everyday life. Banks offer all sorts of financial products to help you manage your money on a day-to-day basis. The bank is such a place where once we deposit money, it remains safe and also earns interest over some time. This is known as the deposit and to each deposit, the bank assigns a unique identity which is known as the account. Each deposit corresponds to a unique account and vice versa.

Sometimes we use numbers to uniquely identify an account. This is what we call the account number. It may also be a combination of alphanumeric letters. 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.

### **Types of Deposits**

#### **Savings Bank Account**

As the name suggests this type of account is suitable for people who have a definite income and are looking to save money. For example, the people who get salaries or the people who work as laborers. This type of account can be opened with a minimum initial deposit that varies from bank to bank. Money can be deposited at any time in this account. Withdrawals can be made either by signing a withdrawal form or by issuing a cheque or by using an 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.

#### **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 the number of withdrawals from a 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 a current account for them. Like a savings bank account, this account also requires a certain minimum amount of deposit while opening the account. On this deposit, the bank does not pay any interest on the balances. Rather the account holder pays a certain amount each year as an operational charge. These accounts also have what we call the overdraft facility. For the convenience of the account holders banks also allow withdrawal of amounts in excess of the balance of the deposit. This facility is known as an overdraft facility. It is allowed to some specific customers and up to a certain limit subject to previous agreement with the bank concerned.

### **Fixed Deposit Account**

Some bank customers may like to put away money for a longer time. Such deposits offer a higher interest rate. If money is deposited in a 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. This type of deposit account allows the 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 a 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 a loan on the security of the fixed deposit receipt.

### **Recurring Deposit Account**

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.

### **Reference**

1. [www.toppr.com](http://www.toppr.com)
2. Banking Law and Practice – P.N. Varshney

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