TYPES OF DEPOSITS WHICH COMMERCIAL BANK ACCEPTS.

We all know that banker collects money from those who have it spare and lend it, to those who need it. In order to attract people to deposit money with the banks, different types of accounts are being operated. Following headings explain the types of deposit accounts managed by bank.

1. Current Accounts:

Meanings:

Current account is such an account in which you can deposit and withdraw money at any time. (Of course during banking hours) It is a running account and no interest is paid on its balance. Also no notice needs to be given to withdraw amounts from this account.

Features:

Followings are the features of current account:

- **Amount:** It can be opened with only a small amount of Rs.500/-
- **Overdraft:** Owning to the credit worthiness of the customer, the banker can extend the facility of overdraft.
- **Interest:** No interest is paid by bank on such account.
- Standing Instructions: Customer can issue standing instruction to the bank for making periodical payments from current account.
- **Cheque Book:** A cheque book is issued to the depositor and he can withdraw amount through checques.
- **Safety and Security:** Current account provides safety and security in everyday dealing of cash. That is why businessman who has to receive and make payment on daily basis prefers to use current account for transactions.

2. SAVING ACCOUNT:

Meanings:

Saving accounts are specially suited for such people who can save money from their monthly income but they have not got means to invest it. Such people can deposit money in saving accounts and can earn interest at a prescribed rate.

Features:

a. **Interest:** Interest at a prescribed rate is paid by bank on such accounts.

b. **Withdrawal on Notice:** The depositor of such account is allowed to withdraw amount only up to a particular limit. In case a huge amount needs to be withdrawn the depositor has to give usually seven to fifteen days prior notice to the banker.

3. FIXED DEPOSIT ACCOUNTS:

Meanings:

The account is opened by such people who have got surplus money and they do not need is in near future. Usually higher rate of interests are paid by the bank on such deposit as money is get fixed with a bank for a longer period of time.

Features:

Restrictions on Withdrawal: Amount Deposited in fixed deposit cannot be withdrawn before the expiry of terms of deposit.

Profit: Higher rates of profit or interest are paid on such deposits.

Loan Facility: The depositor can receive a loan against the fixed deposit. In other works fixed deposits can be used as security for the purpose of obtaining loans.

4. **Profit & Loss Sharing Account:**

Profit & Loss sharing accounts are based on the principle of Islamic teachings. These were started as a step to eradicate interest from the economy. Deposits of PLS do not earn interest but he depositors share profile and losses on the investment made from their deposits.

Two types of PLS account are accepted by bank:

1: **PLS saving accounts.**

- These accounts are just like saving deposit. Only difference is that they are free of interest.
- The account can be opened with a minimum amount of Rs.100/-.
- The bank declares profit for such account holders after the close of financial year.
- Withdrawals iron such accounts can made only up to 8 times in a month with total amount not exceeding Rs.15000/- . In case large amount withdrawals are needed seven days notice has to been given to bank.

II. **PLS Terms, Deposit Account:**

These accounts are just like fixed deposit accounts. The only difference is that they are free interest.

These accounts can be opened either by converting an ordinary interest bearing fixed deposit into PLS Terms deposit or by directly depositing cash.

The bank determines profit and loss on such accounts after every six months i.e. 30th June and 31st December.

The deposits are usually accepted in multiple of thousands and minimum term period is three months.

In case the depositor withdraw amount before the expiry of three months, he is not entitled to any declared subsequently by the bank.

Like fixed deposit the PLS .Terms Deposit cam asp be used as security to get loans from the bank.

Joint Account:

Joint Account as the name suggest are jointly owned and operated by more than I person. It is opened in the name of two or more persons. In order to draw cheque, all the persons will have to sign lit. Otherwise it will be not honored by the bank. However parties may make arrangements where anyone of them is given Ahmed right to draw cheque with signatures of other persons being not necessary.

These are the different types of accounts and deposits which are kept by the banks in almost all parts of the world.

3. **Capital:**

Capital means the assets owned by the borrowers. If the borrower is sound in respect of the assets and properties held by him then the lending officer approves the credit. Beside these 3 Cask and traditional factors other modern and important factors are as follows:

1. Financial Statement Analysis:

Financial statement have gained importance in the modern business world basically there are 3 financial statements.

1. **Profit and Loss Account:** It is a Summary of revenues earned and expenditure incurred by enterprises in a given year.
2. **Balance sheet:** It is the snapshot of the financial position of the business at a particular date.
3. **Cash Flow Statement:** These Statements disclose the liquid cash available and the net increase as declare in cash equivalents during a year.

Financial statement analysis includes the application of analysis tools and techniques on the financial statement so as draw different conclusions regarding decision to grant loan. Modern bank gives too much importance to the financial statement analysis. This is because of the following.

1. It reduces the uncertainty and guessing that is involved in reaching a lending decision via traditional factors and 3 C's.
2. It reduces reliance on non-sophisticated and non-substantial factors.

II. Ration Analysis:

Ratios are of various types. They may be financial, managerial, commercial or operational Examples include current ratio, fixed asset turnover ratio, return on equity and many more.

What all the ratios do is that they help in the understanding of a complex, diversified and vast data in an easy way. They express complex information in an understandable manner.

Ratio analysis is also important while making a lending decision. However, as interpretation of ratio depends upon the viewpoint and perceptions of different users so ratio analysis is not an exact science.

III. Profit Projection Analysis:

Such analysis helps in determining the future trend of business and anticipated revenues. For example, in case of sole traders the anticipated amount of his personal drawings could disclose the future life style of the trader. The profit projection analysis also discloses the repayment potential of the borrower.

IV. Sources and Application of Funds:

This involves the visualizing of funds received by the business from different sources and the applications and utilization of these funds. Such analysis helps the lending officer to determine the credit worthiness of the borrower. Besides this such analysis also discloses the competency of the borrower f the manager of the business.

V. Exchange Translation Analysis:

Where the loan are to be given to the business which is being operated from abroad o which is export oriented, exchange translation analysis is made.

VI. Inflation Accounting:

In developed countries where inflation rates are high, the lending officer gives due concern to the inflation accounting and anticipated inflation rates. A statement is prepared that shows the real worth of the business according to the prevailing general price level.

Conclusion:

The loan making is the most important activity of the bank. So it is necessary for the bank that loans are advanced after proper security and satisfaction. The whole documentation must be fulfilled and all precautions should be observed.