

Demand Deposits

Banks are the only financial intermediaries that are allowed to accept demand deposits. Demand deposits can be withdrawn by the customer at any time as per his/her requirements. Since demand deposits are repayable on demand, they are known so.

Owing to the absolute liquidity offered by demand deposits, banks pay low interest or no interest at all on such deposits. This makes it a low cost deposit for banks and hence is much sought after by banks. On an average, demand deposits constitute about 30 to 40 per cent of the total deposits of banks.

Banks offer 2 types of demand deposits which are:

- Savings Bank [SB] Account
- Current Account

Savings Bank Account: Individuals have to make a variety of payments regularly, such as electricity bills, school fees, etc. Hence, they require an account that helps them to save and make regular payments without having to use cash. Also, they would like to retain some amount in their account as savings for liquidity and earn some interest on the same. The SB account has been designed in order to meet such needs of individuals.

The interest rate on these accounts is regulated by the RBI. Presently, the interest rate on SB account is 3.5 per cent per annum and it is paid every six months. Interest is calculated depending on the minimum balance in the account between the 10th and the last day of the month. The account balance from the 1st to 10th is not considered since it is there will be maximum inflow through salary and maximum outflow for various regular payments.

Services offered for SB Accounts: Banks offer different combination of services. The banking services can be fine-tuned to the needs of the customer by offering choice of services which the customer may frequently need. These services are available free of cost or at concessional rates depending upon the relationship value of the customer with the bank.

Following are the facilities that are free of charge for SB Account:

- Cash transactions
- Clearing of local cheques
- Debit cards, which can be used at ATMs and Point of Sales [POS] terminals
- Access to ATMs
- Access to Internet Banking
- Access to phone banking services
- Access to mobile banking services
- Standing instructions for making regular payments
- ECS facility for making regular payments, such as electricity/telephone bills, and also for receiving dividends, interest and pension
- Tax payments
- Automatic withdrawal of FD to meet shortage of funds in the SB account by linking select FDs to the SB account

Value added services offered for SB account: Banks have designed the SB accounts with enhanced level of services for individual who maintain larger deposits with the bank. These customers are classified as High Net worth Individuals or Private banking customers and are offered value added services mentioned below:

- Home delivery of cash and pick up of cash and cheques from home.
- Anywhere banking
- Larger withdrawals from ATMs
- Withdrawal from ATMs of other banks without payment of any charge
- Faster response to queries at the Phone banking centre
- Separate counters for faster service
- Dedicated relationship managers
- Waiver of service charges for remittances and collection of cheques