

K.BEEMA RAO M.Com. M.Phil.

Assistant Professor

PG & Research Department of Commerce (SF- Men)

Jamal Mohamed College (Autonomous)

Tiruchirappalli - 20

=====

Subject Code: 20UCO4AC7

BANKING TECHNOLOGY

OPENING OF BANK ACCOUNT

Opening of Bank Account

To open an account, you'll need to **choose a bank and provide the bank with some necessary information, including your identification and proof of address.** You'll usually need to be 18 to meet the bank's eligibility requirements. Finally, you might need to fund the account or have a minimum balance to avoid fees.

TYPES OF BANK ACCOUNT

Savings Account	Current Account	Recurring Deposit Account	Fixed Deposit Account	DEMAT Account	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.

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:

1. 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the account holder can deposit money in this account but there is a restriction on the number of times money can be withdrawn from this account.
2. The rate of interest that an account holder get varies from 4% to 6% per annum
3. There is no minimum balance that needs to be maintained for this type of an account
4. The savings account holders can get an ATM/Debit/Rupay Card if they want to
5. 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)
6. 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:

1. 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
2. There is no fixed number of times that money can either be deposited or withdrawn from such accounts
3. Internet banking is available
4. This type of bank account does not have any fixed maturity
5. Overdraft facility is available for current bank accounts
6. 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:

1. Any individual or an Institution can open a recurring deposit account either separately or jointly
2. Periodic or monthly instalments that need to be added can be as low as Rs.50/- or may vary from bank to bank
3. The range of months for which an RD account can be opened varies from 6 months to 120 months
4. The interest rate varies depending upon the bank you choose to open an account with
5. Nomination facility is also available for RC accounts
6. Passbook is issued for this type of bank account
7. 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 has been mentioned below:

- It is a onetime 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 instalments
- Banks pay 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.

IMPORTANCE OF BANK ACCOUNTS

To help manage the finances here are some excellent reason to have a bank account-

1. Bank accounts offer simplicity for transactions. one can easily withdraw money and make payments if they have a bank account.
2. Having bank accounts offers a safe treasury of your hard-earned money and even if the bank or the unions are close you are sure to get back your money.
3. Most banks and financial institutions offer the account holders free or low-cost services, hence bank accounts are cheaper.
4. It is an easy way to grow money. Most banks offer an interest rate when you put your money in a savings account. The interest will help your money grow over time.

5. It offers easy access to credits. Having a bank account is favourable as banks provide the facility to access credits to its customers for Personal loan, home loan, education loan etc.

TYPES OF BANK CUSTOMERS

During the opening of accounts, the banker deals with different types of customers. The banker should acquaint himself with various laws governing different types of customers. The customers can be classified as follows:

1. **Personal accounts:** Banker should take care and verify the certain fact while opening of accounts of individual. As per Indian Contract Act 1872, a person is competent to enter into a valid contract and open a bank account provided:

1. **Individual should be major, i.e. of 18 years of age;**
2. **He should be sound mind;**
3. **He is otherwise not disqualified by any law;**
4. **He Should not be an insolvent;**
5. **Drunken person is not legally competent to enter into a contract;**
6. **He should be in good sense while lending a loan and entering into a contract.**

Various types of personal accounts in banks are as under:

a) Accounts of Single Individual: This is purely a personal account in the name of an individual and is normally operated upon by the account holder himself. The account holder may authorise another person to operate on his account. For this purpose, he gives a Mandate or executes a Power of Attorney in favour of such a person. In order to avoid legal complications that may arise after the death of the account holder, it is desirable to suggest opening of a joint account in the names of two individuals (unless it is essential in certain circumstances to open an account in the single name only), and/or to obtain proper nomination.

b) Joint Accounts of Individuals: A joint account is opened in the names of more than one individual for convenience of operations and/ or to avoid legal complications upon death of one of the joint account holders. A joint account is neither a partnership nor a trust account. It is important to obtain clear and unambiguous instructions regarding the mode of operation and repayment of balance of a joint account in the event of death of one or more joint account holder(s). Different types of operational instructions are as under:

- (i) **Jointly or Survivor** (ii) **Either or Survivor**
(iii) **Former or Survivor** (iv) **any one or Survivor**

One or more of the joint account holders can authorise operation on the account on his/their behalf by giving a Mandate or executing a Power of Attorney, but, such Mandate or Power of Attorney must be given by all the parties to the accounts. Addition/deletion of any name, material alteration, closure of account & operational instructions in the joint account can be changed by all the account holders jointly.

However, in joint accounts with operational instructions “Former or Survivor”, instructions can be changed/revoked only by Former.

c) Illiterate person:

1. Illiterate person is a person who cannot read or write.
2. Such persons are competent to enter in to a valid contract.
3. The account (other than Current Account) of such a person may be opened provided he calls on the Bank with a latest passport size photograph. Photograph is essential for identification.
4. Thereupon, his thumb impression or mark should be obtained on the account opening form/card in the presence of the Bank’s official. Such thumb impressions or marks affixed by illiterate persons on instruments are equivalent to their signatures.
5. Any withdrawal/repayment of deposit amount and/or interest by way of withdrawal form or otherwise should similarly be affixed with the thumb impression or mark of the depositor.

d) Blind Persons:

1. Blind Persons can operate the account in bank.
2. Signature of Thumb impression of blind person in the A/c opening form to be witnessed by a person who should certify that contents of the A/c opening form were explained to the blind person in his presence.
3. The sign may be authorised by bank officer and a witness known to both the bank and the blind person.
4. He should always visit the branch for cash withdrawal.
5. As per all banking facilities including net banking, ATM, Cheque Book, Locker facility, loans to be offered to visually challenged customers without discrimination.

e) Minors’ Accounts:

- A minor is a person below the age of 18 years.
 - A minor is under legal incapacity to contract by himself and, therefore, a guardian recognised by law along can deal with the person and property of the minor.
 - The term “guardian” includes a natural guardian or guardian appointed by the Court of Law.
 - Ordinarily, an account of a minor is opened and operated upon by the natural guardian of the minor or by the guardian appointed by the Court.
 - According to RBI guidelines (**RBI/2013-14/581DBOD. No. Leg. BC. 108/09.07.005/ 2013-14**) with a view to promote the objective of financial inclusion and also to bring uniformity among banks in opening and operating minors’ accounts, banks are advised as under:
1. A savings /fixed / recurring bank deposit account can be opened by a minor of any age through his/her natural or legally appointed guardian.
 2. Minors above the age of 10 years may be allowed to open and operate savings bank accounts independently, if they so desire. Banks may, however, keeping in view their risk management

systems, fix limits in terms of age and amount up to which minors may be allowed to operate the deposit accounts independently. They can also decide, in their own discretion, as to what minimum documents are required for opening of accounts by minors.

3. On attaining majority, the erstwhile minor should confirm the balance in his/her account and if the account is operated by the natural guardian / legal guardian, fresh operating instructions and specimen signature of erstwhile minor should be obtained and kept on record for all operational purposes.
 - Banks are free to offer additional banking facilities like internet banking, ATM/ debit card, cheque book facility etc., subject to the safeguards that minor accounts are not allowed to be overdrawn and that these always remain in credit.
 - It is permissible to open any type of deposit account in the name of and/or to be operated upon by a minor within the framework of rules of business of the Bank as outlined hereunder, but no Current Account should be opened.
 - According to Section 26 of NI Act, a minor can draw, endorse or negotiate a cheque or a bill but he cannot be held liable on such cheques or bill. Minor can be admitted to the benefits of partnership with the consent of other partners but cannot be made liable for the losses. A minor may be appointed as an agent on behalf of his principal but legally he cannot be held responsible to his principal.
 - When the minor becomes major he has the sole right to operate the account and guardian's power ceases. The payment should be made to the erstwhile minor upon provided his identity.
 - When the account is operated upon by the guardian on behalf of the minor a Balance Confirmation Letter duly signed by the erstwhile minor and verified by the guardian.
 - If account is operated by the minor himself, the erstwhile minor should be asked to sign a Balance Confirmation Letter.

2. Hindu Undivided Family (HUF):

- Hindu Undivided Family' otherwise known as 'Joint Hindu Family' property, business or ancestral estates and its common possession, enjoyment ownership is the basis of formation of HUF. As per Hindu law, the Hindus, Sikhs & Jains can form HUF. HUF is governed basically by two schools of thought. In Bengal, it is governed by Dayabhag Law. In other parts of India, it is governed by Mitakshara Law.
 - The law governing Hindu Undivided Family is codified under Hindu Code and now, succession among Hindu is governed by Hindu Succession Act, 1956. Parts of this Act was amended in 2005 by the Hindu Succession (Amendment) Act, 2005.
 - Creation of Hindu Law under which all major members of the family get right by birth in the ancestral property of the family. HUF property is managed by senior most major

male member called 'Manager' or 'Karta'. Upon death of Karta, next senior male coparcener becomes Karta.

- Joint owners of HUF are known as coparceners.
- It consists of one common living ancestor and his all male & female (female included from Sept. 2005) descendent up to three generations next to him. HUF cannot enter into a partnership as per Supreme Court judgement of 1998.HUF account is operated by Karta.
- Karta has authority to borrow money for the family necessities & for ancestral family business. Documents are to be executed by Karta. All major coparceners are to be made guarantors.
- The liability of the 'Karta' is unlimited, whereas the liability of the coparceners is limited to their shares in the joint family estate.

4. Sole Proprietary Firms: Business is wholly owned by an individual. In law, there is no difference between proprietor & the firm. In all respects, it is an account in the name of an individual only except that it is operated upon by the proprietor on behalf of firm.

The firm should have PAN or GST Number. Proprietorship letter in bank's Performa is to be obtained. Proof of proprietorship to be obtained. Creditors have recourse not only against assets of the firm but also against private assets of the proprietor. Proprietor can authorize another person to operate the account through Mandate or Power of Attorney.For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out. In addition to the above, any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- **Registration certificate**
- **Certificate/licence issued by the municipal authorities under Shop and Establishment Act.**
- **Sales and income tax returns.**
- **CST/VAT/ GST certificate (provisional/final).**
- **Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.**
- **IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.**
- **Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly acknowledged by the Income Tax authorities.**
- **Utility bills such as electricity, water, and landline telephone bills, etc.**

In cases where the Regulated Entities (REs) are satisfied that it is not possible to furnish two such documents, Regulated Entities (REs) may, at their discretion, accept only one of those documents as proof of business/activity. Provided Regulated Entities (REs) undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

4. Partnership Firm:

1. Partnership is the relation between persons who have agreed to share profits of business carried on by all or any one them acting for all (Indian Partnership Act 1932).
2. As per RBI instruction now Registration Certificate and Partnership deed to be obtained.
3. As per Indian Companies Act 2013, Maximum number of partner can be up to 100 in a firm (Earlier number of partner was restricted to 20 for other businesses & 10 for banking business). Partnership is not a distinct legal person from the partners who have made partnership firm.
4. HUF cannot enter into a partnership as per Supreme Court judgement of 1998.
5. The firm should have PAN or GST Number. A partner cannot delegate his authority to operate the account.
6. A minor cannot be a partner, but he can be admitted for his benefit in an existing partnership firm. The particulars of minor partner, particularly the DOB should be properly recorded.
7. In case of death/retirement/insolvency of a partner account should be stopped, if the balance is in debit and a fresh account should be opened after fresh sanction of limit. In case of dispute when one partner revokes the authority against the other partner, operation in the account should be stopped.

Dissolution of the Partnership firm can take place by following ways:

- By mutual consent;
- Death/insolvency/retirement of a partner;
- Operation of Law (insolvency of all partners, business becoming unlawful, dissolution by a competent court; and
- In case of automatic dissolution.

5. Limited Liability Partnership (LLP):

- A limited liability partnership (LLP) is a partnership in which some or all partners (depending on the jurisdiction) have limited liabilities.
- LLP is governed by limited liability partnership Act 2008. Liability is limited to the extent of his contribution in the LLP. Minimum 2 designated partner and no limit on maximum number of Partners. A partner is not liable for another partner's misconduct or negligence, except in certain cases. LLP is a legal entity separate from its partner.

- It has own assets in his name, sure and be sued. Since LLP contains element of both ‘a corporate structure’ as well as ‘a partnership firm structure’ LLP is called a hybrid between a company and a partnership. It has perpetual succession (death of a partner does not affect the existence of LLP). Partners have a right to manage the business directly.
- Firms and companies can get themselves converted into LLP. LLP cannot raise fund from public.

6. Companies:

- Companies are defined in Indian Company Act 1956.
- As per the provision of Company Act 2013 (implemented with effect from 1st April 2014), recognizes a joint Stock Company is a legal person with perpetual entity & is distinct from its members.
- A company or association of persons can be created at law as legal person so that the company in itself can accept limited liability for civil responsibility.
- Because companies are legal persons, they also may associate and register themselves as companies otherwise it will be treated as illegal.
- Address of the registered office is compulsory. It is the address at which all the documents & notices may be served upon the company. Cheques favouring company are not to be credited to the personal accounts of the Directors or other officers of the company.

Following documents are required for account opening of a company:

- **Certificate of Incorporation:** Issued by Registrar of Companies. It is conclusive proof for incorporation of the company & compliance of all formalities by promoters.
- **Certificate of commencement of business:** A company having share capital cannot commence business until it has obtained the certificate to commence business (COB) from the concerned Registrar of Companies. Certificate of commencement of business is not required by Private Ltd. Co. as its shares are closely held & it can commence business on its incorporation.
- **Memorandum of Association:** Company’s fundamental & unalterable law. Embodies Company’s name, Authorized capital, Objectives of the company, Liability of shareholders.
- **Article of Association:** Regulations controlling internal management of the company. Rights & powers of the Directors, rules about conduct of company meetings & business, Procedure for borrowing & limit on borrowing etc.
- **Copy of Board Resolution:** Certified copy of Board Resolution authorizing to borrow from the Bank with details of limit, security etc., Persons who are authorized to sign the security documents & operate the Bank Account, persons in whose presence Seal of the company will be affixed to the security documents.
- **Company identification Number (CIN):** As per RBI guidelines Company Identification Number (CIN) assigned by the ROC is now compulsory for opening of bank account of the company.

- **Company common Seal:** Common seal if any, of the company available should be embossed on bank's documents. As per Companies (Amendment) Act, 2015 and RBI instruction Company Common Seal is not necessary, if other documents available during current account opening.

DIFFERENT TYPES OF COMPANIES IN INDIA

- **Private Company:** Private Company has shareholders with limited liability and its shares may not be offered to the general public. Private Limited Company having a no minimum paid-up share capital limitation now. (As per Companies (Amendment) Act, 2015, paid-up share capital of one lakh rupee or such higher paid-up share capital as may be prescribed is omitted now). It has minimum two members and maximum member restricted to two hundred and Minimum two directors and no maximum number of directors is restricted.
- **Public Company:** Public company means a company which is not a private company and has no minimum paid-up share capital limitation now (As per Companies (Amendment) Act, 2015, paid-up share capital of five lakh rupee or such higher paid-up share capital as may be prescribed is omitted now). Shares are offered to the public & are listed on stock exchange. Minimum seven members no limit of maximum number. Minimum 3 directors maximum 15 director limits. Provided that a company may appoint more than fifteen directors after passing a special resolution (As per Companies Act 2013, no Central Govt. permission required now). At least one-woman director shall be on Board. Certificate of commencement of business is must to do any type of business.
- **Government Company:** "Government Company" means any company in which not less than fifty one percent. Of paid-up share capital is held by the Central Government, or by any State Government, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary company of such a Government company.
- **One Person Company:** The Companies Act 2013 Act introduces a new type of entity to the existing list i.e. apart from forming a public or private limited company, the 2013 act enables the formation of a new entity a 'one-person company' (OPC). An OPC means a company with only one person having a sole member [section 3(1) of 2013 Act]. An OPC can be formed only by an Indian Resident and citizen.
- **Other Companies:** As per Companies act 1956, companies can be classified on the basis of time, place of incorporation and nature of working share capital as follows:
- **Foreign Company:** It means a company incorporated outside India and having a place of business in India whether by itself or through an agent, physically or through electronic mode and conduct any business activity in India in any other manner.

- **Existing Company:** A company which is established before the Company Act 1956 is called Existing Company.
- **Holding Company:** A company is known as the holding company of another company if it has control over another company.
- **Subsidiary Company:** A company is known as subsidiary of another company when control is exercised by the latter over the former called a subsidiary company. A company is to be deemed to be subsidiary company of another.

7. Trust:

1. Trusts are governed by the Indian Trust Act, 1882.
2. A trust is created when ownership of a property is transferred to someone for holding or managing it for benefit of another person(s).
3. Trust may be public charitable trust or private trust (for benefit of private individuals).
4. Trusts managed by trustees. Loan can be granted if it is for the purpose of the trust.
5. Trustee is authorised to borrow as per the trust deed. Original Trust Deed to be examined before financing. Certificate of Registration under Public
6. Trust Act to be examined & copy to be kept on record.

8. Clubs & Societies:

1. Clubs & Societies are non-profit making organisation and represent a group of persons.
2. These are normally incorporated under Cooperative Society Act.
3. Clubs can be registered under Society Act 1860, or Company Act 1956.
4. These get the status of a legal entity only after their incorporation in their own name.
5. These are governed by rules & regulations (bye laws). Certified true copy of resolution.
6. Cheques favouring society, club, association not to be collected in individual accounts of office bearers or employees.
