Banks And their Terms

Bank :

- A **Bank** is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets.
- Banking began with the first prototype banks of merchants of the ancient world, which made grain loans to farmers and traders who carried goods between cities and this system is known as a barter system. This began around 2000 BC in Assyria and Babylonia.
- Due to their importance in the financial stability of a country, banks are highly regulated in most countries.
- In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.
- The oldest existing merchant bank is Berenberg Bank.

Banking Terms

Savings Account :

- A **savings account** is a deposit account held at a retail bank that pays interest but cannot be used directly as money in the narrow sense of a medium of exchange (for example, by writing a cheque). These accounts let customers set aside a portion of their liquid assets while earning a monetary return.
- The term "savings deposit" includes a deposit or an account that meets the requirements of Sec. 204.2(d)(1) of Regulation D (FRB). The depositor is permitted to make up to 6 pre-authorized transfers or withdrawals (excluding withdrawals via an automated teller machine) per month or a statement cycle of at least four weeks.
- A savings account linked to a checking account at the same financial institution can help prevent fees due to overdrafts and reduce banking costs.

Cheque :

- A **cheque** or **check** is a document that orders a bank to pay a specific amount of money from a person's account to the person in whose name the cheque has been issued. The person writing the cheque, known as the drawer, has a transaction banking account where their money is held.

- The drawer writes the various details including the monetary amount, date, and a payee on the cheque, and signs it, ordering their bank, known as the drawee, to pay that person or company the amount of money stated.
- The cheque had its origins in the ancient banking system, in which bankers would issue orders at the request of their customers, to pay money to identified payees. Such an order was referred to as a bill of exchange.
- The use of bills of exchange facilitated trade by eliminating the need for merchants to carry large quantities of currency (for example, gold) to purchase goods and services.

Fixed Deposit :

- A **fixed deposit** (**FD**) is a financial instrument provided by banks or NBFCs which provides investors a higher rate of interest than a regular savings account, until the given maturity date. It may or may not require the creation of a separate account. It is known as a term deposit or time deposit.
- They are considered to be very safe investments. Term deposits in India, Nepal, and Pakistan are used to denote a larger class of investments with varying levels of liquidity.
- They also offer income tax and wealth tax benefits.
- To compensate for the low liquidity, FDs offer higher rates of interest than saving accounts. The longest permissible term for FDs is 10 years.
- Usually in India the interest on FDs is paid every three months from the date of the deposit.

Benefits Of Fixed Deposit :

- Customers can avail loans against FDs up to 80 to 90 percent of the value of deposits. The rate of interest on the loan could be 1 to 2 percent over the rate offered on the deposit.
- Residents of India can open these accounts for a minimum of 3 months.

Recurring Deposit :

- Recurring Deposit is a special kind of Term Deposit offered by banks in India which help people with regular incomes to **deposit a fixed amount every month** into their Recurring Deposit account and earn interest at the rate applicable to Fixed Deposits.
- The Recurring Deposit can be funded by Standing instructions which are the instructions by the customer to the bank to withdraw a certain sum of money from his Savings/ Current account and debitt to the Recurring Deposit account.
- One can **avail loans** against the collateral of Recurring deposit up to 80 to 90% of the deposit value.

Banks And their Terms

Credit card :

- A **credit card** is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services.
- A credit card is different from a charge card, where it requires the balance to be repaid in full each month. In contrast, credit cards allow the consumers a continuing balance of debt, subject to interest being charged.

- Credit cards have a magnetic stripe conforming to the ISO/IEC 7813. Many modern credit cards have a computer chip embedded in them as a security feature.

Debit Card :

A **Debit Card** (also known as a **bank card**, **plastic card** or **check card**) is a plastic payment card that can be used instead of cash when making purchases. It is similar to a credit card. but unlike a credit card, the money comes directly from the user's bank account when performing a transaction.

Types Of Debit Card Systems :

Online Debit System :

Online debit cards require electronic authorization of every transaction and the debits are reflected in the user’s account immediately. The transaction may be additionally secured with the personal identification number (PIN) authentication system.

Offline Debit System :

This type of debit card may be subject to a daily limit, and/or a maximum limit equal to the current/checking account balance from which it draws funds. Transactions conducted with offline debit cards require 2–3 days to be reflected on users’ account balances.

Automated teller Machine (ATM)

Banks And their Terms

- ATM was made by John Shepherd Barron, a Scottish native. In 1965, Multi day Barron touched base in a bank to pull back cash however the bank was shut because of one-minute deferral. After this John Shepherd Barron figured for what reason not make such a machine whereby 24 hours cash can be pulled back. With this idea, John Shepherd Barron developed the main ATM machine in roughly 2 year
- An **Automated teller machine** (**ATM**) is an electronic telecommunications device that enables customers of financial institutions to perform financial transactions, such as cash withdrawals, deposits, transfer funds, or obtaining account information, at any time and without the need for direct interaction with bank staff.
- Using an ATM, customers can access their bank deposit or credit accounts in order to make a variety of financial transactions such as cash withdrawals, check balances, or credit mobile phones.

Banks And their Terms

ATM Card :

- An **ATM card** is a payment card or dedicated payment card le card issued by a financial institution which enables a customer to access automated teller machines (ATMs). ATM cards are payment card size and style plastic cards with a magnetic stripe or a plastic smart card with a chip that contains a unique card number and some security information such as an expiration date or CVVC (CVV).
- The first ATM cards were issued in 1967 by Barclays in London.
- ATM cards are known by a variety of names such as **bank card**, **MAC** (money access card), **client card**, **key card** or **cash card**, among others.
- Most payment cards, such as debit and credit cards can also function as ATM card.