



**Fresher Learning  
Program**

**Personal Banking - Type of Products  
and Features**

A large, abstract graphic element on the right side of the slide. It consists of a thick, diagonal band that is pink on top and blue on the bottom, separated by a thin white line. The band has rounded ends and is accented with small blue and pink circles. The background to the right of the band is white with a pattern of light blue dots of varying sizes.

## **Liabilities – Fixed Deposit and Recurring Deposit**

Fixed Deposit is a deposit that is held at a financial institution for a fixed term. A fixed deposit account allows customers to deposit money for a set period of time, thereby earning a higher rate of interest in return. These are of varying maturities ranging anywhere from a day or a month to a few years.

When a term deposit is placed, the lender (the customer) understands that the money can only be withdrawn after the term has ended and in case of premature withdrawal, the financial institution can levy a penalty. In some cases, the customer may be required to give notice of withdrawal of term deposit (in that case termed as 'notice deposits'). When the term is over, the deposit can be withdrawn or it can be held for another term, partly or fully.

Customer can open Fixed Deposits by visiting branch, Online Banking & Mobile Banking.

## ❖ **Assured Rate of Return**

The major reason why people prefer investing their funds in a fixed deposit is the assured rate of return. Once you invest your funds in a fixed deposit account, you can be guaranteed of receiving the stated rate of return.

## ❖ **Tax Threshold for Interest**

Banks are not mandated to deduct tax on any interest until it crosses Rs. 10,000. This means unless the total interest earned by a customer on different fixed deposits totals Rs. 10,000, the bank will not deduct any tax. This provides comfort to small deposit holders.

## ❖ Flexible Tenure

The tenure for a fixed deposit is flexible and depends on the deposit holder. Each bank has their own minimum tenure rules however, the final decision can be taken by the deposit holder. It is also possible to decide whether to redeem the fixed deposit or to extend it for the same period of time.

## ❖ Easy Liquidation

It is relatively easy to liquidate a fixed deposit. For FDs booked online, they can be liquidated online via net banking as well. Otherwise, most bank branches have a form to liquidate the FD.

## ❖ Loan against Fixed Deposit

An FD is a dependable instrument to keep in case of financial emergencies. Taking a loan against a fixed deposit is very easy. You can take a loan up to 95% of the fixed deposit amount depending on the bank. This makes it a dependable investment.

## Interest Pay Out Options

- ❖ Monthly
- ❖ Quarterly
- ❖ Reinvestment of Interest

## Maturity Instructions

- ❖ Renew Principal and Interest
- ❖ Renew Principal Only
- ❖ Do Not Renew

Recurring Deposits (RD) provides customers with the flexibility to invest an amount of their choice each month and save money with ease. Recurring deposit accounts are offered by most of the banks and NBFCs in India with tenures ranging from 6 months to 10 years. The interest rate usually ranges from **5.00% - 7.85%**.

## Features

- ❖ Recurring Deposit schemes aim to inculcate a regular habit of saving among the public.
- ❖ Minimum amount that can be deposited varies from bank to bank. It can be an amount as small as Rs.10.
- ❖ The minimum period of deposit starts at six months and the maximum period of deposit is ten years.
- ❖ Premature and mid term withdrawals are not allowed. However, the bank may allow to close the account before the maturity period, sometimes with a penalty for premature withdrawal.
- ❖ RD offers the additional benefit of taking loan against the deposit, i.e., by using the deposit as a collateral. About 80 to 90% of the deposit value can be given as loan to the account holder.
- ❖ The Recurring Deposit can be funded periodically through Standing Instructions which are the instructions given by the customer to the bank to credit the Recurring Deposit account every month from his/her Savings or Current account.



## Benefits of Recurring Deposits

- **A simple financial product to invest in:** A recurring deposit is one of the simplest financial products in the world to invest in. The concept of investing money in it is pretty simple. For any person who is new to the world of financial investment, experts always advise the person to invest their money in a recurring deposit account. Initial investments in recurring deposit also develops good investing habits for the individual.
- **Guaranteed returns:** Unlike equity and mutual funds, recurring deposits offer guaranteed returns on the principal amount invested in the short term.
- **Tenure and minimum amount to be deposited:** The tenure of a recurring deposit account usually varies from 6 months to 10 years. The depositor can select the short-term, medium-term or long-term period for investment in a recurring deposit account. Also the minimum amount to be deposited to open an RD account is Rs.100 for public sector banks and varies from Rs.500 to Rs.1,000 for private sector banks such as ICICI or HDFC bank which is not a huge amount to deposit at the beginning.
- **Anytime withdrawal:** Recurring deposit accounts also offer the facility of withdrawal of the account anytime. The bank might charge a small fee for it but it is still a good option for the depositor to have in case he or she needs the deposited money along with the return on it urgently.
- **Loan against deposit:** Banks also provide the facility of loan against recurring deposits. A depositor can avail a loan amount equivalent to 90-95% of the total money deposited in the recurring deposit account depending on the bank.
- **Flexible recurring deposits:** Another advantage of investing money in a recurring deposit account is flexibility. A flexible recurring deposit is a scheme in which a person can invest any amount of money (greater than the minimum amount) at any intervals of time. Some banks also allow the facility for the depositor to skip an installment without paying any penalties



## Video Links

HDFC open FD/ RD through Online Banking :

<https://www.youtube.com/watch?v=QPx3NZHkmxg>.

Recurring Deposits

[https://www.youtube.com/watch?v=TJWb\\_a4sObo](https://www.youtube.com/watch?v=TJWb_a4sObo).



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