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**Answer any 3 questions from the following: (3\*10=30)**

**1) What is known as Bank? What are its characteristics? Describe.**

**2) Who is a customer of a bank? What are the types of Deposit accounts of a Bank? Name them and explain any one type.**

**3) How can you operate a bank account? Explain.**

**4) Define commercial banking system. What are the documents required to open an Account?**

**5) What is insurance? Who is known as a minor? Describe with suitable examples.**

**6) What do you know about special types of customers? Explain any 2.**

**Answer to the question no. 1**

A bank is a financial institution that accepts deposits from customers and uses those funds to provide loans, make investments, and offer various financial services. Banks play an essential role in the economy by providing a safe place for people to store their money and by providing the necessary capital to fund various economic activities.

Here are some of the key characteristics of banks:

1. Acceptance of deposits: Banks accept deposits from customers, which can be in the form of savings accounts, checking accounts, fixed deposits, and other types of deposit accounts. For example, a customer can deposit $1,000 into their savings account at a bank.
2. Lending: Banks use the funds collected from deposits to provide loans to individuals and businesses. Loans can be in the form of personal loans, home loans, car loans, business loans, and other types of credit facilities. For example, a bank can provide a $100,000 mortgage loan to a customer who wants to buy a house.
3. Credit creation: Banks have the ability to create credit by lending out more money than they have in deposits. This is possible due to the fractional reserve banking system, where banks only keep a fraction of deposits as reserves and lend out the rest. For example, if a bank has $1,000 in deposits, it can lend out $9,000 to borrowers.
4. Payment and settlement services: Banks provide various payment and settlement services, including debit cards, credit cards, online banking, wire transfers, and other forms of electronic fund transfers. For example, a bank can issue a debit card to a customer to allow them to make purchases and withdraw cash from ATMs.
5. Investment services: Banks also offer investment services, including investment advice, brokerage services, and investment management services. For example, a bank can offer a customer a diversified portfolio of stocks, bonds, and mutual funds to invest their money.
6. Risk management: Banks have to manage various risks, including credit risk, market risk, operational risk, and liquidity risk, to ensure the safety and soundness of the institution. For example, a bank can mitigate credit risk by carefully screening loan applicants and maintaining adequate reserves to cover potential losses.

Overall, banks play a critical role in the economy by providing essential financial services and facilitating economic growth.

 **Answer to the question no. 2**

A customer of a bank is an individual, business, or organization that maintains a relationship with a bank by using its services. Customers can hold deposit accounts, obtain loans, use payment services, and access other financial products and services offered by the bank.

There are several types of deposit accounts that a bank can offer to its customers. Here are some of the most common types:

1. Savings account: This type of account is designed for individuals who want to save their money and earn interest on their deposits. Savings accounts usually have lower interest rates than other types of deposit accounts, but they offer easy access to funds.
2. Checking account: This type of account is designed for individuals or businesses that need to make frequent transactions. Checking accounts usually offer lower interest rates than savings accounts but provide easy access to funds through checks, debit cards, and online banking.
3. Money market account: This type of account is similar to a savings account but offers higher interest rates. Money market accounts usually have higher minimum balance requirements than savings accounts and may also have limited transaction capabilities.
4. Certificate of deposit (CD): This type of account is designed for customers who want to earn a higher interest rate by depositing their funds for a fixed period. CDs usually have higher interest rates than savings or checking accounts but require customers to keep their funds locked in for a specific term.
5. Foreign currency account: This type of account allows customers to hold deposits in a foreign currency. These accounts are useful for individuals or businesses that need to make international transactions or protect themselves against currency fluctuations.
6. Joint account: This type of account is owned by two or more individuals who share equal rights and responsibilities for the account. Joint accounts are useful for couples, family members, or business partners who want to share expenses or manage their finances together.

**Explanation on savings account:**

To elaborate a savings account is a type of deposit account that is offered by banks and other financial institutions. This type of account is designed for individuals who want to save their money and earn interest on their deposits. Savings accounts are one of the most popular types of deposit accounts and are often the first financial product that people open when they start saving money.

Here are some of the key features of a savings account:

* Interest: Savings accounts pay interest on the balance that is deposited in the account. The interest rate varies depending on the bank and the account type, but it is usually lower than other types of accounts, such as certificates of deposit or money market accounts.
* Easy access to funds: Savings accounts offer easy access to funds, which means that customers can withdraw their money whenever they need it. There may be limits on the number of withdrawals that can be made in a month, but these limits are usually not restrictive.
* Low or no fees: Savings accounts usually have low or no fees, which makes them an attractive option for individuals who want to save their money without incurring unnecessary costs. However, some banks may charge fees for certain services, such as overdrafts or wire transfers.
* Minimum balance requirements: Some savings accounts may require a minimum balance to be maintained in order to avoid fees or to earn the advertised interest rate. These requirements vary depending on the bank and the account type.

Overall, savings accounts are a great option for individuals who want to save their money and earn interest on their deposits. They offer easy access to funds, low fees, which makes them a safe and reliable choice for people who want to start saving. Each type of deposit account has its own benefits and drawbacks, and the choice of the account depends on the individual's financial goals and needs.

**Answer to the question no. 3**

To operate a bank account, we must first open an account with a bank or other financial institution. Here are the general steps for opening and operating a bank account:

1. Choose a bank: Research and compare different banks to find one that meets we need and preferences. Look for a bank with a good reputation, convenient location, low fees, and services that meet we financial goals.
2. Gather required documents: Depending on the bank and the type of account we want to open, you will need to provide certain documents, such as a valid ID, proof of address, and proof of income. Check with the bank to see what documents are required.
3. Fill out an application: Once we have chosen a bank and gathered the required documents, you can fill out an application to open an account. You will need to provide personal information, such as we name, address, and Social Security number.
4. Make an initial deposit: Most banks require an initial deposit to open an account. The amount varies depending on the bank and the type of account, but it is typically between $25 and $100.
5. Choose an account type: Decide on the type of account that best suits we needs, such as a checking account, savings account, or money market account. Each type of account has its own features and benefits, so choose one that meets we financial goals.
6. Understand account terms and conditions: Read and understand the terms and conditions of the account, including any fees, interest rates, minimum balance requirements, and transaction limits.
7. Manage we account: Once we account is open, you can manage it by depositing money, withdrawing funds, making payments, and monitoring we balance. You can use online banking, mobile banking, or visit a bank branch to manage we account.

Some common ways to operate a bank account include:

* Depositing funds: we can deposit funds into we account by making a cash deposit at a bank branch, transferring money from another account, or depositing a check.
* Withdrawing funds: we can withdraw funds from we account by using an ATM, making a withdrawal at a bank branch, or transferring money to another account.
* Making payments: we can make payments from we account by writing a check, using a debit card, or setting up automatic bill payments.
* Monitoring we account: we can monitor we account by checking we balance, reviewing transaction history, and setting up alerts for account activity.

Overall, operating a bank account involves opening an account, understanding the account terms and conditions, making deposits and withdrawals, managing we balance, and monitoring we account activity.