



## RECURRING DEPOSIT INTEREST RATE SBI / HDFC

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### ABSTRACT

*In the present scenario most of the people showing more interest to deposit their money in the form of fixed deposit so based on the different banks interest rates the customers are investing their money where getting high interest rates. In this paper we focused on recurring deposits on their interest rates with the beneficiary of old age people by using compared to study of two different banks the one is public sector the another one is private sector banks (SBI&HDFC) by the analyzing recurring deposit rates based on SBI & HDFC to find which bank providing more beneficiary satisfied interest rates in this paper we need empirical and conceptual study recurring deposits.*

**Keywords :** *Recurring deposit, Fixed deposit, Flexible deposit, Interest rate, Public sector and private sector.*

### I. INTRODUCTION TO FINANCE

Evaluate risk and reward assesses alternatives and determines the value of a project (or) company. This specialization provides a rigorous introduction to core topics in financial valuation, including time value of money, Cash flow analysis, Asset pricing risk and return and alternative valuation methods.

The field of finance is rapidly changing. Developments in financial markets and investments necessitate that to these topics as well as to financial management.

The finance develops mainly the three components of finance in an alternative framework that is consist with the responsibilities of financial professionals, manager's intermediaries, and investors in today's economy. The finance to show the interrelationships between the areas of finance.

Finance is a field that is concerned with the allocation (investment) of assets and liabilities over space and time, Often under conditions of risk (or) uncertainty. It can also be defined as the art of money management.

Participants in the market aim to price assets based on their risk level fundamental value and their expected rate of return. Finance is concerned with the process institutions, Market and instruments involved in the transfer of money among individuals, Business and governments.

It also managing finance funds and other valuables, which can easily be converted into cash and as well as concerned with a decision about money are more appropriately.

Finance studies money and its management like economies, it explores the allocation of resources.

## II. INTRODUCTION TO BANKING SECTOR

The banking sector is the most dominant sector of the financial systems in India. Significant progress has been made with respect to the banking sector in the post liberalization period. The financial health of the commercial banks has improved manifolds with respect to capital adequacy.

Profitability and asset quality and risk management. Further, deregulation has opened new opportunities for banks to increase revenue by diversifying into investment banking. Insurance banking. Credit cards, depository services, mortgage, securitization. Etc. Liberalization has created a more competitive environment in the banking sector.

The banking sector is the life line of any modern economy it is one of the important financial pillars of the financial sector, which plays a significant role in the functioning of an economy. They play an important role in the mobilization of deposits and disbursement of credit to various sectors of the economy.

### **Public sector bank :**

Public sector banks are a major type of bank in india, Where a majority stake (i.e, More than 50%) is held by a government. The shares of these banks are listed on stocks exchanges. There are a total of 21 public sector bank. The central government entered the banking business with the nationalization of the imperial of India in 1995. This bank sector is also called government sector .A large part of the stock in this type of bank is with the government.

The government has complete control over nationalized banks. These include large banks like state bank of India and Punjab national bank.

## III. NATIONALIZED BANKS IN PUBLIC SECTOR :

- Allah bad bank (60%)
- Andhara bank (61%)
- Bank of Baroda (63.7%)
- Bank of india (64.4)
- IDBI bank (97.46%)
- Bank of Maharashtra (81.61%)
- Central bank of India (81.5%)
- Corporation bank (100%)
- Indian bank (81.51%)
- Indian overseas bank (89.90%)
- Oriental bank of commerce (77.23%)
- Punjab and Sind bank (79.62%)
- Punjab national bank (60%)
- SBI (59%)
- Syndicate bank (66.17%)

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- UCO bank (84.23%)
- Union bank of India (63.44%)
- United bank of India (85.91%)
- Canara bank (64.5%)

## IV. PRIVATE SECTOR BANK

The private sector banks in India are bank's where the majority of the shares or equity are not held by the government but by private share holders.

In 1969 all major banks were nationalized by the India government. However, since a change in government policy in the 1990's old and new private sector bank's have reemerged.

The private sector banks live in the of their share holders. Such banks are operated by a private group since 1990's (Liberalisation, The number of private has increased in the country. Because the licensing process for private sector banks has been simplified since the economic liberalization.

### Nationalized bank in private sector :

There are 40 banks in India including local are a bank's

1. Local area bank's (LAB)
2. Small financial bank (SFD)
3. Payment bank (PB)

### List of private sector bank's:

- Axis bank
- Bandhan bank
- Catholic Syrian bank
- Dhana lakshmi bank
- Federal bank
- HDFC bank
- ICICI bank
- Indusind bank
- IDFC bank
- Jammu and Kashmir bank
- Karnataka bank
- Karur vysya bank
- Kotak Mahindra bank
- Lakshmi villas bank
- National bank
- RBL bank

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- South Indian bank
- Tamilnad Mercantile bank
- YES bank
- City union bank

#### List of local area banks :

- Coastal local area bank
- Krishna bhima samruddhi LAB
- Sub hadra local bank

#### List of small finance bank :

- Au small finance bank
- Capital small finance bank
- Fin care small finance bank
- Equities small finance bank
- ESAF small finance bank
- Suryoday small finance bank
- Utkarshsmall finance bank
- North East small finance bank
- Jana small finance bank

#### List of payments bank :

- Airtel payments bank
- India post payment bank
- FINO payment bank
- Paytem payment bank
- Aditya birla idea payment bank

## V. INTRODUCTION TO 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 at the rate applicable to fixed deposit.

It is similar to making fixed deposit of a certain amount in monthly investments.

The recurring deposit can be funded by standing instructions which are the instructions by the customer to the bank to which draw a certain sum of amount from his savings / current account and debit to the recurring deposit account.

When the recurring deposit amount is opened, the maturity value is indicated to the customer assuming that the monthly instalments will be paid regularly on due dates.

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## Definition :

In banking terminology, the term recurring deposit refers to the periodic placement of a fixed sum of funds with a bank (or) financial institution into a special term account, with specified tenure, generally between one and five years. At the end of the tenure, the funds typically withdrawn by the depositor with accrued interest.

## Meaning :

A recurring deposit or recurring deposit is an investment plan meant for long term wealth creation in which investment is made in small instalments at fixed intervals systematically today. An investor can choose from a variety of terms or maturity period up to ten years to set up a recurring deposit with a bank.

In a recurring deposit a depositor usually makes small value remittances; say RS.5000 (or) RS.1000, at monthly intervals. Unlike any other market-linked instrument, a recurring deposit allows the depositor to earn a pre-assured sum [with applicable tax deduction] without any investment risk offer completion of the maturity period.

## Recurring deposit importance:

- \* Importance of recurring deposit in finally savings.
- \* Recurring deposits are a special kind of term deposits offered by banks in India which help people with regular incomes to deposit a fixed amount every month into their recurring deposits account and earn interest at the rate applicable to fixed deposits.
- \* Source for expected or unexpected expenses.
- \* Savings for the near as well as for future.
- \* Loans against recurring deposit.
- \* A type of savings which is suitable for various needs.

## Paper objective :

- \* To study the performance of systematic investment plan.
- \* Recurring deposits of SBI / HDFC banking institution.
- \* The recurring deposit helps the senior citizens in the interest rate.
- \* How the interest can be changed from time to time.
- \* The effect of interest rates on senior citizens and general public.

## Methodology :

This study is based on secondary data, which is collected from some articles, journals and through the internet link etc...

## Types of SBI deposit:

The SBI recurring deposits are categorized by two types

- 1) Regular recurring deposit
- 2) Senior citizen's for recurring deposit

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## Regular recurring deposit :

These type of deposit account is generally opened by those who want to save some money. The tenure of this account can go to 10 years and interest rate is fixed for the tenure however, SBI recurring deposit interest rate can keep changing from time to time. So, Make sure you start your RD account when the interest rates are high.

### a) Holiday savings account:

SBI, in partnership with the travel company “Thomas cook” allows its users to start a holiday savings account solely for the purpose of travelling. When a user chooses a holiday package from “Thomas cook”, The cost of the package is divided into 12 monthly installments. You can even earn interest on your installment.

### b) SBI flexi deposit scheme :

This is a unique type of recurring deposit in which users are allowed to change the amount of monthly installment amount according to their convenience. The minimum deposit should be (RS) 5000 in one financial year and it can go up to a maximum of (RS) 50000 per year.

- SBI offers recurring deposit interest rates up to 6.95%.
- Interest on recurring deposit with SBI is compounded quarterly.
- SBI accepts minimum deposits starting at (RS) 1.00.
- For senior citizens, SBI offers recurring deposit rate up to 7.45%

Investment period	Recurring deposit rates for regular deposit	Recurring deposit rates for senior citizens
15 months	6.90%	7.40%
15 months, 1 day	6.95%	7.45%
24 months	6.85%	7.35%
36 months	6.50%	7.00%
60 months	6.50%	7.00%

## HDFC Recurring deposit percentages :

Period Rate ( per citizen rates (per annum )		
6 months	6.25%	6.75%
9 months	6.75%	7.25%
12 months	7.25%	7.25%
15 months	7.25%	7.75%
24 months	7.25%	7.75%
27 months	7.10%	7.60%
36 months	7.10%	7.60%
39 months	7.10%	7.60%

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48 months	7.10%	7.60%
60 months	7.10%	7.60%
90 months	6.00%	6.50%
120 months	6.00%	6.50%

## VI. CONCLUSION

The study has been undertaken to understand the over all effectiveness of the recurring services in the banks and assess the reason for customers preference of recurring deposits in banks. For this purpose, Responses from the recurring deposit account holders of banks have been collected and analyzed. Based up on the findings out the research few valuable suggestion have been given to the these two banking sectors to improve the recurrind services to retain and expand it's recurring deposit accounts holder's base.

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