DegreeLive

B.Com Honours

Semester II

Calicut University

Financial Literacy

Course Code: COM2FM106 • Module 2 Notes

1. Banking and Insurance: Systems, Payments, and Risk Management

Banking and insurance services are the foundational structures of personal finance, enabling secure transactions, capital storage, and risk mitigation. This module covers bank account types, financial inclusion initiatives (PMJDY, BSBDA), digital payment systems, electronic fund transfers (NEFT, RTGS, IMPS), and the fundamentals of life and general insurance.

Bank Account Types & Financial Inclusion

Types of Bank Accounts

- **Savings Account:** For individuals to deposit savings, earning interest while maintaining liquidity.
- **Current Account:** For business transactions, offering unlimited operations without interest and with overdraft features.
- **Fixed Deposit (FD) & Recurring Deposit (RD):** Time-deposit schemes offering higher interest rates for fixed tenures.

Financial Inclusion (PMJDY & BSBDA)

- **BSBDA:** Basic Savings Bank Deposit Account offers zero-balance banking with no minimum balance requirements.
- **PMJDY:** Pradhan Mantri Jan Dhan Yojana provides zero-balance accounts with Rupay cards, overdrafts, and accident insurance.

Modes of Funds Transfer: Digital Banking

Modern banking relies heavily on electronic fund transfer systems to process payments:

Transfer Mode	Processing Type	Transaction Speed & Limits
NEFT	Processed in half-hourly batches.	Available 24/7. No minimum limit.
RTGS	Real-time, gross settlement.	Best for large transactions (Minimum ₹2 Lakhs).
IMPS	Immediate mobile payment service.	Real-time transfer, maximum limit ₹5 Lakhs.
UPI	Unified Payments Interface.	Real-time mobile-to-mobile transfer via virtual IDs.

AEPS (Aadhaar Enabled Payment System) & NUUP: Enables cash withdrawals and transfers at micro-ATMs using biometric authentication, and banking via USSD codes (*99#) without internet access.

Fundamentals of Insurance

Insurance is a risk management tool that transfers the risk of financial loss from an individual to an insurance company:

- **Life Insurance:** Provides financial security to dependents in the event of the policyholder's death.
- **Non-Life (General) Insurance:** Protects assets against damage, theft, or liability (e.g., health, motor, fire, and travel insurance).