

Your Savings Account And Its Balance



Arvind has just received a letter from his bank, telling him that he has been charged Rs. 250 for not maintaining the required balance. When he opened the account, he had agreed to maintain a minimum quarterly average balance (QAB) of Rs. 5,000. He wants to know how the bank calculates this figure.

Quarterly Average Balance



The quarterly average balance is the sum total of the day-end balances of all the days in a quarter divided by the number of days in the quarter. In simple words, the day-end balances in Arvind's savings account are taken for each day in a quarter and added up. This total is then divided by the number of days in the quarter. The resulting figure is the QAB.

Calculation



Suppose the balances in Arvind's account are Rs. 5,000, Rs. 5,400, Rs. 4,500, Rs. 6,500, Rs. 7,000 and Rs. 7,200 as on April 1, April 2, April 3, June 28, June 29 and June 30 respectively. All these day-end balances are added up. Assume that the sum is Rs. 6,10,000. The total number of days in the quarter is 91 days. The sum of day-end balances is divided by the number of days in the quarter to arrive at the QAB. In this case, the QAB would work out to be Rs. 6,703 (610000/91).

Minimum Requirement



Most banks specify the minimum balance to be maintained in the savings account by an account holder in terms of the 'quarterly average balance'.

Arvind uses his savings bank account almost everyday for his routine transactions. The balance can be high on some days and low on others. Since the minimum requirement is specified on a quarterly basis and not on a daily basis, it provides flexibility to use his account without worrying about the minimum requirement on a daily basis.

Usage of Accounts



Arvind has multiple accounts with several banks. He uses different accounts for different transactions, which makes it difficult for him to manage the minimum requirements in all these accounts. It is advisable to use one account as the 'primary account' to carry out all his transactions.

SMS CONTEST

Question

If the required minimum QAB is not maintained in a quarter, _____.

Answer

- A. the account will be marked inactive
- B. the account will be upgraded
- C. a charge will be imposed.

To answer, SMS DISHA A, B or C to 53030 and win a 2N 3D holiday.*
Contest open for the day of publication.
*Terms and conditions apply.
Visit www.dishac.org for details and winners.

QAB Charge



When Arvind agrees to keep a minimum QAB, the facilities provided to that account are based on that promise. If the QAB is not maintained, the bank levies a QAB charge as applicable to the account.

Interest



Arvind wonders whether the interest he earns is based on the balances in his savings account. The interest on savings bank deposits is regulated by the Reserve Bank Of India (RBI). It is fixed currently at 3.5% per annum and paid on the minimum balance

DID YOU KNOW?

If your savings account held Rs. 5 lac for a single day and zero balance on the other days of a quarter, and if your QAB requirement were Rs.5,000, you would have satisfied the QAB condition imposed by your bank.

FAQs

Does the QAB charge depend on the extent of shortfall in the savings account balance?

The charge for not maintaining the balance is normally fixed; however, some banks follow step-charging, which means that the charge will depend upon the extent of shortfall.

How and when do I get to know that charges for non-maintenance of QAB have been levied in my account?

You will be notified through account statement of the quarter following the one in which you have not maintained the minimum QAB. If you have not maintained the QAB in the April to June quarter, the charges would reflect in the July to September quarterly statement. The charges are levied in July.

maintained between the 10th and the last day of the month.

Center for Investment Education and Learning

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SMART BANKING

Protect your money



Always maintain QAB in your account.

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