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Savings Accounts

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Collin's *Dictionary of Banking and Finance* describes a savings account as “an account where money is put regularly and which pays interest, often at a higher rate than a deposit account.” The term *savings account* is different from *individual savings account* or *lifetime savings account*, which stands for a scheme offered in Britain in which individuals can invest for their retirement by putting a limited amount of money each year in a tax-free unit trust account.

A Brief Historical Account

The wise saying “A penny saved is a penny earned” may be loosely credited with originating the concept of a savings account. Bank accounts have a long evolutionary history. Many people argue that since the Romans are credited with inventing coins, bank accounts preexisted Mesopotamia, where they were used to store grain, gold, silver, weapons, and other valuables. They also argue that in those days, deposit receipts were cashed or used as payment in transactions. However, the historical account of the evolution of the savings account in particular may be dated back to the 1500s. Importantly, the first-known savings bank came up in 1765 in France. A brief historical timeline of savings accounts/savings banks has been presented in [Table 1](#).

Types of Savings Accounts

Savings accounts are basically of two types: (1) with checkbook facility and without checkbook facility. Savings account holders are allowed to deposit checks, drafts, dividend warrants, and so on, which stand in their name only. The savings accounts can be opened individually or jointly. There are restrictions on the maximum amount that can be deposited in or withdrawn from a savings account.

Table 1 Historical Timeline of Evolution of Savings Accounts/Savings Banks

No. Timeline Description of Event

1	1500s	Cashiers were developed in Amsterdam (Holland), providing a means of security to store money for a small fee.
2	1697	The first idea of a savings institution was developed in England.
3	1765	Brumuth (France) was established. This is the first-known savings bank in the world.
4	1778	The first savings bank of Germany (Hamburg) was established.
5	1787	The first savings bank of Switzerland (Berne) was established.
6	1799	The first savings bank of England (Wend-over) was established.
7	1810	The first savings bank of Denmark (Holsteinborg) was established.
8	1816	The first chartered savings bank was established in the United States.
9	1861	A postal savings bank was established in England.
10	1911	The U.S. Postal Savings system was established. It was discontinued later in 1967.

Why Are Savings Bank Accounts Popular?

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Savings accounts are widely popular for a number of reasons. First, a savings account can be opened with a small amount of money. It helps people with a small income to save for their future. Second, the balance lying in the savings account earns some interest. The customer is benefited as the money grows with the bank over a period of time. Third, the money lying with the bank is quite safe. There is no fear of theft. Fourth, the money can be withdrawn conveniently from the savings account. Finally, the customer also gets the checkbook facility under the terms and conditions laid down by the bank. Check facility makes money transfer to third parties very convenient and safe.

Socioeconomic Significance of Savings Accounts

From the point of view of theoretical economics, savings are equal to investment less current expenditure. Savings here is nothing but the aggregates of savings accumulated in personal, corporate, and government savings accounts in the economy. The relationship between economic growth and savings is an important consideration. With economic growth, the per capita income of the individual increases, and consequently, per capita consumption expenditure also increases. Thus, higher economic growth leads to higher savings. On the other hand, savings play a proactive role in capital formation in an economy. This is the reason why governments often offer a number of savings and investment schemes that are tax exempt to promote the practice of saving among individuals. While individuals can save a considerable amount of tax through such schemes, governments, in turn, can invest the accumulated funds in various development projects.

A study conducted by the World Bank in 2012 suggests that roughly half of all adults in the world have an individual or joint bank account. However, wider disparity was found between the West (where 89 percent of adults had accounts) and the developing world (where only 41 percent of adults had accounts). The study found that educational level also plays an important role in people having a bank account. For example, in Africa, 55 percent of people with tertiary education had bank accounts, while only 10-percent people with primary or no education had bank accounts. The gender gap is also quite a visible factor in people having bank accounts, especially in the developing countries. The study found that all over the world, 46 percent of adult men had bank accounts while only 37 percent of adult women had bank accounts. The disparity was most noticeable in South Asia, the Middle East, and North America. An earlier United Nations study, undertaken by Marc J. Scher in 2001, suggests that the postal services in Asia have played a pivotal role in promoting domestic savings as well as in offering other domestic financial services to the most excluded sections of the society.

Empirical research in developing countries like Bangladesh underlines the role of small savings (e.g., the microcredit and microfinance scheme pioneered by Muhammad Yunus, the founder of Grameen Bank) in reducing poverty and thereby upgrading the standard of living of the people. Savings accounts may also be made a tool for *direct benefit transfer*. The recent scheme of opening savings bank accounts launched by the Government of India, named Pradhan Mantri Jan-Dhan Yajona, has become a tool of direct benefit transfer and at the same time has promoted financial inclusion, especially among the lower-income groups of the country.

Reiterating the old saying, "A penny saved is a penny earned," the First International Thrift Congress, held in 1924 in Milan, marked October 31 as World Thrift Day, or World Savings Day, to raise public awareness on savings.

Recent Trends in Services Offered in a Savings Account

Keeping pace with the changing times and riding on the advancements in the field of information technology, savings bank account holders are today offered considerable flexibility in terms of transaction rights and other add-on services.

Banks today offer a variety of savings accounts. These include basic savings bank accounts, savings bank accounts, savings plus bank accounts, premium savings bank accounts, savings accounts for youth, savings bank accounts for minors, and so on, with a host of varied services under each category. The add-on services offered by a bank to a savings account holder include the following: free account statement through ATM (automated teller machine), online banking, mobile banking, withdrawal of money through ATM-cum-debit card, money transfer to other account holder's savings account, and so on. The facilities offered on savings accounts vary from bank to bank, however.

With the advancements in the field of information and technology, many more changes are sure to come.

See also [Banked, Fully](#); [Banked, Un-](#); [Banked, Under-](#); [FDIC \(Federal Deposit Insurance Corporation\)](#)

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