

Bank

✓ Bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets.

✓ system and the economy, banks are highly regulated in most countries. Most banks operate under a system known as fractional reserve banking



Mobile banking is a method of using one's mobile phone to conduct banking transactions

Banks offer many different channels to access their banking and other services:

Automated Teller Machines

A branch is a retail location

Telephone banking

Online banking

Call center

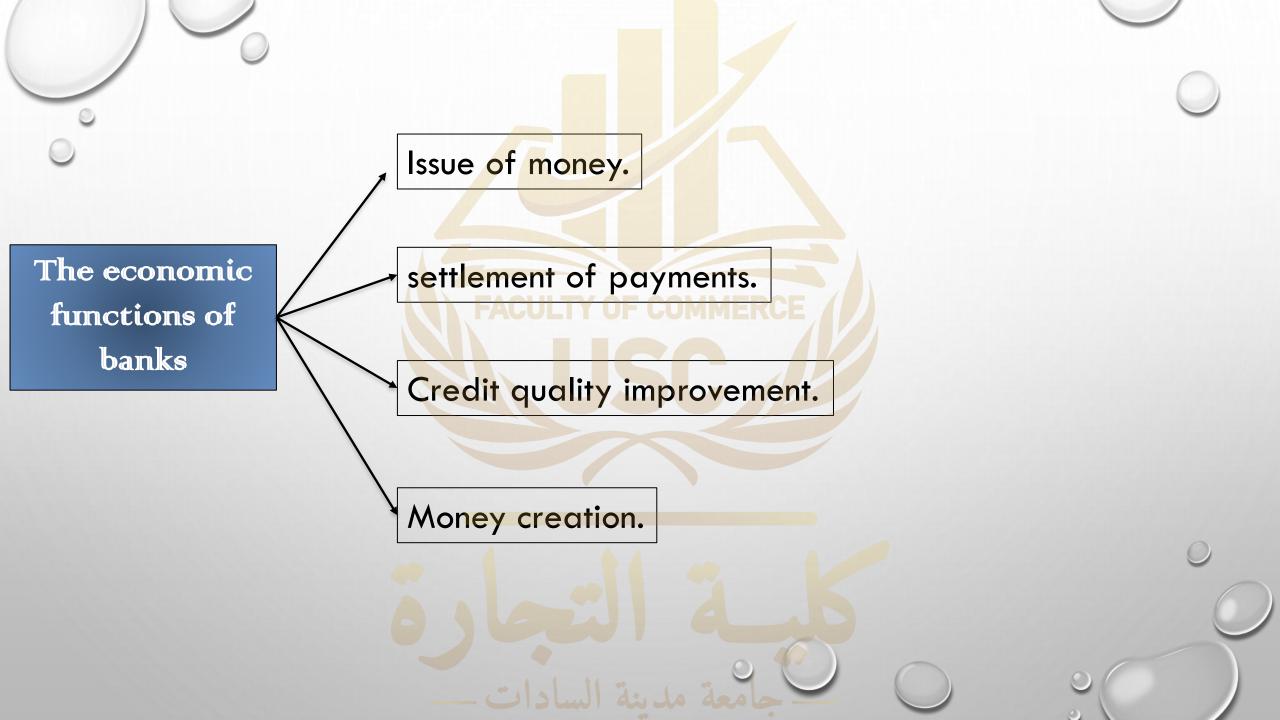
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is a person who carries on the business of banking.

Banker is specified as

1. conducting current accounts for his customers.

- 2. paying cheques drawn on him/her.
- 3. Collecting cheques for his/her customers



Features of a Bank

1- DEALING IN MONEY:

- ✓ Bank is a financial institution which deals with other people's money.
- ✓ The banks accept deposits from the public and advancing them as loans to the needy people. COMMERCE

2- INDIVIDUAL / FIRM / COMPANY:

✓ A bank may be a person, firm or a company.

3- ACCEPTANCE OF DEPOSIT:

✓ A bank accepts money from the people in the form of deposits.

4- PAYMENT AND WITHDRAWAL:

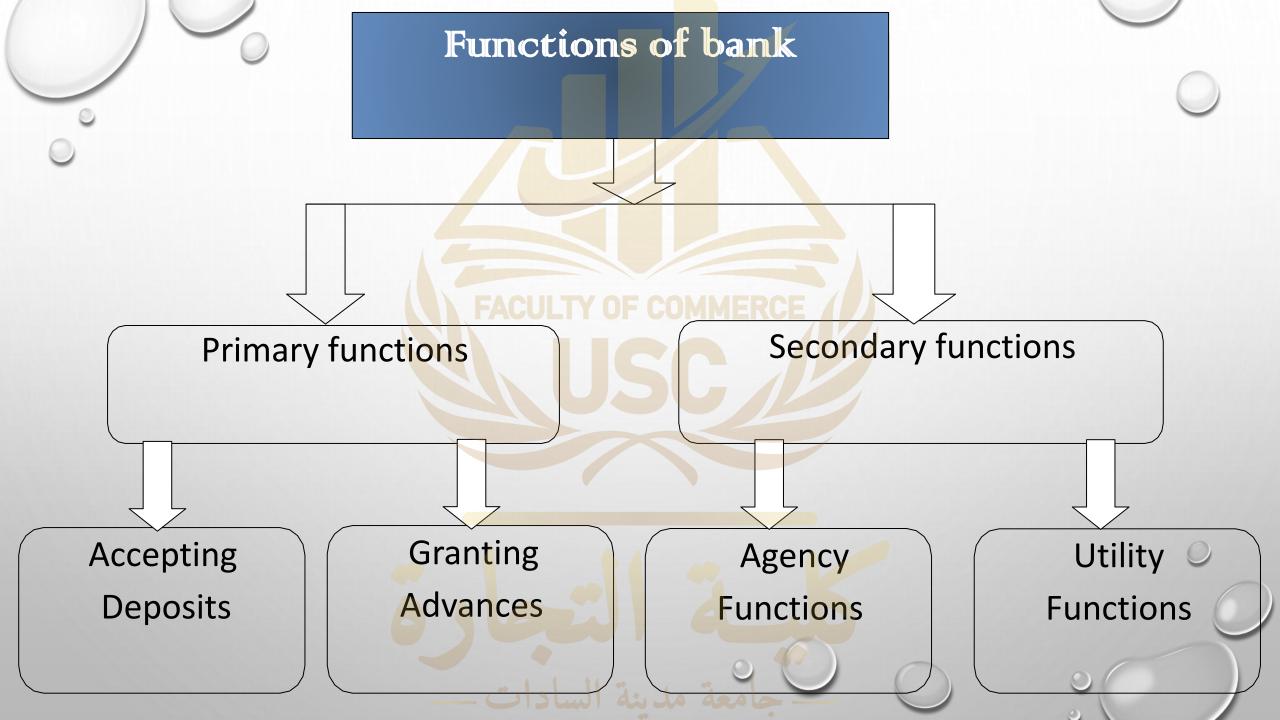
✓ A bank provides easy payment and withdrawal facility to its
customers in the form of cheques

5- CONNECTING LINK:

✓ A bank acts as a connecting link between borrowers and lenders of money.

6- NAME IDENTITY:

✓ A bank should always add the word "bank" to its name to enable people to know that it is a bank and that it is dealing in money.



Primary functions

1- ACCEPTING DEPOSITS

✓ Saving Deposits: used to encourage saving, and the rate of interest is law.

- ✓ Fixed Deposits: amount is deposited at one time for a specific period.

 Higher rate of interest is paid.
- ✓ Current Deposits: operated by businessmen. Withdrawals are freely allowed. No interest is paid.
- Recurring Deposits: operated by salaried persons and petty traders. A higher rate of interest is paid.

2- GRANTING OF LOANS AND ADVANCES:

The types of bank loans and advances are:-

- Overdraft: given to current account holders.
 - Cash Credits: It can be given to current account holders as well as to others who do not have an account with bank.
 - Loans: It is normally for short term say a period of one year or medium term say a period of five years. Now-a-days, banks do lend money for long term.
 - Discounting of Bill of Exchange: The bank can advance money by discounting or by purchasing bills of exchange both domestic and foreign bills.

Secondary Functions

1- AGENCY FUNCTIONS:

- 1. Transfer of Funds:-The bank transfer funds from one branch to another or from one place to another.
- 2. Collection of Cheques:-The bank collects the money of the cheques.
- 3. Periodic Payments: the bank makes periodic payments in respect of electricity bills, rent, etc.
- 4. **Portfolio Management:-**The banks also undertake to purchase and sell the shares and accordingly debits or credits the account. This facility is called portfolio management.
- 5. Periodic Collections:-The bank collects salary, pension, dividend and such other periodic collections on behalf of the client.

2- GENERAL UTILITY FUNCTIONS:

Issue of Drafts and Letter of Credits:-Banks issue drafts for transferring money from one place to another. It also issues letter of credit, especially in case of, import trade.

Locker Facility:-The bank provides a locker facility for the safe custody of valuable documents, gold ornaments and other valuables.

Dealing in Foreign Exchange:-The commercial banks are allowed by RBI to deal in foreign exchange.

TYPES OF BANKS

1- SAVING BANKS:

- Saving banks are established to create saving habit among the people.
- These banks are helpful for salaried people and low-income groups.

2- COMMERCIAL BANKS:

- Commercial banks are established with an objective to help businessmen.
- These banks collect money from general public and give short-term loans to businessmen

3- INDUSTRIAL BANKS / DEVELOPMENT BANKS:

- collect cash by issuing shares and providing long- term loans to industries.
- The main objective of these banks is to provide long-term loans for expansion and modernization of industries.

4- LAND MORTGAGE / LAND DEVELOPMENT BANKS:

• They also known as Agricultural Banks because these are formed to finance agricultural sector.

5- INDIGENOUS BANKS:

- These indigenous banks are popular in villages and small towns.
- They perform combined functions of trading and banking activities.

6- CENTRAL / FEDERAL / NATIONAL BANK:

- Every country of the world has a central bank.
- These central banks are the bankers of the other banks.
- They provide specialized functions i.e. issue of paper currency, working as bankers of government, supervising and controlling foreign exchange.
- A central bank is a non-profit making institution.

7- CO-OPERATIVE BANKS:

- They generally give credit facilities to small farmers, salaried employees, small-scale industries
- The functions of these banks are just similar to commercial banks.

8- EXCHANGE BANKS:

• These banks are mainly concerned with financing foreign trade.

9- CONSUMERS BANKS:

- Such banks are usually found only in advanced countries like
 U.S.A. and Germany.
- The main objective of this bank is to give loans to consumers for purchase of the durables like Motor car, television, furniture, etc.
- The consumers have to repay the loans in easy installments.

