

Banking

BCA Sixth Semester

Banking

Meaning:-

Banks are financial institutions that accept funds in the form of deposits repayable on demand in short notice. World Bank

A banker is a dealer in debts. The banker's business is to take the debts of other people to offer his own in exchange and thereby to create money. Crowther

Role of Banking System

1. Mobilization of Saving
2. Monetization of Economy
3. To Implement Government Policies
4. To Manage Foreign Trade and Payments
5. To Meet Development Expenditure of the Government
6. To Create Employment Opportunities (By credit facility)

Commercial Bank

- Commercial bank is regarded as the eldest financial institution in the history of bank. The major objective of commercial bank is to maximize profit.
- Modern commercial banks accept deposits in various accounts, provides short-term, medium and long-term credit, carryout agency functions in trade and commerce and deal with foreign currency exchange.
- The difference between the rate of interest on deposits and loans is the main source of their earnings.

Primary Functions

Accepting Deposits

- a. Current or Demand Deposits (for everyday payments)
- b. Saving Deposits
- c. Fixed or Time Deposits for fixed period

Providing Loan

- a. Cash credit: Cash credit is provided against the tangible securities such as shares, debentures, bonds etc. deposited by customers.
- b. Overdraft

Contd....

c. **Loan:** commercial bank provide loan against the deposits of tangible securities like, gold, silver, land which are easily marketable, stable in value and liquid in nature.

d. **Discounting of Bills of Exchange:** Bill holder may deposit the bill in the bank in case of financial crisis.

Secondary Functions

- a. Income receiving and payment
- b. Purchase and sale of securities: shares, debentures
- c. Remittance of money: remit money of customers from one place to another on their request.

Central Bank

- Central bank is the guardian of all banking institutions, established in an economy. It is established under the ownership of the government. It is the regulating and controlling authority of financial institutions. It works as banker to the government, lender of last resort, custodian of foreign exchange and banker's bank. Moreover, it issues paper notes, prepares economic policies, advices to the government, controls credit etc.
- Central bank is an apex institution which controls, regulates and directs the monetary and credit system of a country.
- The central bank of Nepal is Nepal Rastra Bank which was established in 2013/1/14 BS, under the NRB act 2012 BS.
- The major functions of central bank are listed below:

Functions of Central Bank

- a. **Note Issue:** monopoly right of note issue in a certain security like gold, silver, valuable coin
- b. **Bank of all banks:** guardian of all financial institutions
responsibility of expanding, managing and developing the banking system.
commercial bank must deposit certain percentage of their total deposit as Cash Reserve Ratio (CRR).
- c. **Lender of last Resort:** support in bankruptcy and other financial problems.
- d. **Credit Control:** according to the inflation and deflation

Contd....

e. **Foreign Exchange Control:** demand and supply of foreign currency

f. **Government's Banker Agent and Adviser:**

Banker: banker for different ministries, departments and projects

Agent: transactions of government securities

Adviser: monetary policy

g. **Provides Clearing House Facility:**

h. **Development Functions:**

Manage short-term, medium-term and long-term loan

Conduct several research works, economic survey

Mobilize scarce resources towards productive sectors (real state)

Establish good and friendly relationship with international financial institutions like IMF, World Bank, ADB etc.

Format of bill of exchange

	Kuala Lumpur, Singapore
	09/12/2020
SGD 50,000	
90 days after date, pay to me or my order, the sum of SGD Fifty thousand Only, for value received	
STAMP	
Accepted (Signed) <u>Pim Lee</u> Kuala Lumpur, Singapore	Signed Jack Ro Kuala Lumpur, Singapore