



Role of Commercial Banks In Indian Economy Stability

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Abstract

The main aim of commercial banks is to provide financial assistance to the public and also provide loan facilities to the business which helps in increasing economic activities and developing the economy. Commercial banks are an important part of the country's economic development and are crucial for the development of trade and commerce. They act as custodians of the country's wealth and resources, ensuring that capital is channeled into assets when necessary. Commercial banks play a significant role in India because they drive the country's economic growth on the one hand, and provide important information about the financial system on the other. Banks have long been the locomotives of India's prosperity, providing financial services to a large population at low cost and meeting the short- and medium-term credit needs of lakhs of people, especially small and medium enterprises (MSMEs). The basic structure is that all large banks are divided into commercial banks. However, the scheduled banking group includes other businesses such as small banks, payment banks and cooperative banks. Banks are further classified based on ownership as public sector, private sector, foreign-owned and rural.

Keywords: Economic. Development, Role, Commercial, Transaction.

Introduction

The operations of companies in India have expanded rapidly in the post-independence period. Regional and functional. Expansion of banking activities. Cautious, traditional banks have come out of their shells and are faced with the challenges of planning for business growth. In recent years, non-traditional industries have attracted the attention of Indian commercial banks. The impact of financial performance of commercial banks on the weak market can be better understood only by examining the conditions of commercial banks in the country. Indian Banking Sector Before Nationalization. Commercial banks are generally

institutions that accept deposits from people and give loans. Commercial banks were also established in India; These banks are private companies and were established under the provisions of the Financial Regulation Act, 1949. Reserve Bank of India Act, 1949. According to the Reserve Bank of India Act, 1934, "a scheduled bank means a bank included in the Second Schedule of Banks"

Objectives Of The Study

To know the role of Commercial banks in Indian Economy

Role Of Banks Today

Even in today's digital age and tough macroeconomic context, the role played by commercial banks continues to be a vital one. While risk and regulatory protection remain a top priority, banks are also searching for innovative methods to address financial performance and rising consumer and investor expectations as they reorganize and optimize operational and business models to generate long-term profitability. Undoubtedly, banks will need to embrace innovation and business-led transformation to stay relevant in the age of digital money.

Financing Rural and Agricultural Development ;More than 55% of India's population are farmers. 80% of farmers need credit to grow their crops. One of the main roles of commercial banks in India is to help farmers access the finance they need. The bank has launched many financial services for the rural people. For example, SBI, one of India's largest banks, is known for developing various financial products for poor farmers. They offer special agricultural loans, savings accounts and Kisan credit cards for rural customers. Through these programs, farmers can buy seeds, tractors, fertilisers and other agricultural inputs. Commercial banks are a better lending option than local lenders because they follow government regulations and proper procedures.

Financing Women Entrepreneurs; Business ventures play a major role in economic development, especially for women. In a country like India, women rarely have access to the resources, tools and support they need to start a business. How can a country prosper when half of its citizens are not contributing financially to the economy? The role of the corporate sector in India includes providing women entrepreneurs with more capital to start their businesses, empowering them financially and enabling them to become independent.

Small Business Financing; For startups and small businesses, running a business without sufficient cash is not easy. Often, these companies struggle to grow due to lack of growth capital. This brings us to another important role of commercial banks in business development: providing loans to MSMEs. These are micro, small and medium scale loans and SME loans that provide financial support to small businesses. Different companies offer various types of loans to help these businesses access funds up to Rs 2 Crore. These loans come with quick approval and flexible repayment plans. More than 31 million micro, small and

medium scale business loans were applied for between 2020 and 2023. With the help of loans, these businesses can stay afloat, improve infrastructure, create new jobs, expand business scope and contribute directly to the Indian economy.

Credit Creation: One of the main roles of business enterprises in the development of the economy is to create credit. Banks create credit to enable businesses to buy goods, produce goods or pay suppliers. These companies can be acquired even if they do not already have capital. Banks such as ICICI, Axis and HDFC offer small business cards for small and medium businesses.

They also generate credit through loans and business acquisitions. **Build Savings to Build Capital** When you encourage people to save a portion of their income by putting their money in the bank, you encourage them to build wealth gradually. You can also use your savings to lend to small and medium-sized businesses, allowing them to expand their operations, create more jobs, and boost the economy. None of this would be possible without corporate marketing. In emerging economies like India, the role of corporations is crucial to capital formation.

Increased utilization of funds: Middle and secondary schools are benefiting from good consumer loans such as home loans, car loans, two-wheeler loans, cash loans, gold and personal loans. Many people have easy access to money and can now get loans at the lowest interest rates. This leads to increased spending and hence increased demand in the economy. It is particularly beneficial for foreign trade where transactions can be made in foreign currencies that can be exchanged between companies. Growth Banks are becoming more efficient as companies expand into second and third-tier cities. The balance of growth in urban areas will help increase awareness of banks and their work. It also increases access to banking services. People who use cash now prefer to deposit it in commercial banks, thereby increasing capital.

Conclusion

According to Confederation of Indian Industry, agriculture is the largest economy-focused sector accounting for nearly 17% of GDP, but the situation is not good due to the cheating of traditional farmers by private moneylenders and high farm prices. They have tried to escape from the farm as the storage capacity and connectivity are not good. India being an agriculture-based economy has to pay a huge price for this. Banks are quite effective in encouraging them to join traditional farming businesses as they provide low-interest loans and provide services to people from all walks of life. It is seen that corporate marketing is very important for the overall growth of the economy.

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