International Journal of Advance and Applied Research
www.ijaar.co.in
ISSN – 2347-7075 Impact Factor – 7.328
Peer Reviewed Bi-Monthly
Vol.11 No.1 Sept-Oct 2023

Banking and its Type

Gopal Badiger
Principal, Siddharth Degree College Bidar
Corresponding Author – Gopal Badiger
Email: gmbadiger67@gmail.com
DOI-10.5281/zenodo.10207089

Abstract:

Banks have existed since at least 14th century. They provide a safe place for consumers and business owners to stow their cash and source of loans for personal purchases and business ventures. In turn, the banks use the cash that is deposited to make loans and collect interest on them. The basic business plan hasn't changed much since the Medici family started dabbling in banking during the Renaissance, but the range of products that banks offer has grown. Banking is directly or indirectly connected with the trade of a country and the life of each individual, it is an industry that manages credit, cash, and other financial transactions. In banking, the commercial bank is the most influential institution for any country's economy or for providing any credit to its customers. Banking performance has been regarded as a crucial factor of economic growth. Banks collect deposits from surplus and provide loans to the investors that contribute to the total economic growth. Recent development in the banking industry is channeling the funds and participating in economic activities directly. Hence, academic researchers are gradually showing their concern on banking performance and its effect on economic growth. In India, a banking company is responsible for transacting all the business transactions including withdrawal of cheques, payments, investments, etc, In other words, the bank is involved in the deposit and withdrawal of money, repayable on demand, savings, and earning a decent amount of profitable by lending money.

Source and Origin of Modern Banking:

Banking experts pass their opinion that banking system was introduced from the primitive stages of human civilization in some way or other in the world. While reviewing historical backgrounds of social, economical and religious activities of ages, origin of modern banking.

1. Introduction of Coins.
2. Different Civilization.
3. Expansion of Business and Trade.
4. Various Religions and Religious books.
5. The contributions of Goldsmiths, money-lenders and the businessmen.

Types of Banking.

Banks are further segregated in to four types.

Commercial Banks. These banks are regulated by Banking Regulation Act, 1949. They accept the public deposit from the public for lending or investment.

Cooperative Banks. Cooperative banks are undertaken by the state cooperative societies Act and give cheap credit to their members. The rural population is dependent on the cooperative banks for its financial backup.

Specialized Banks. These banks provide financial help to special industries, foreign trade, etc, few example of specialized banks are foreign exchange banks, export and import banks, development banks, etc.

Central Banks. These banks manage, check, and monitor all the activities of the commercial banks of a country.

Functions of Commercial Banks.

1. Acceptance of deposits.
2. Lending of funds.
3. Cheque facilities.
4. Remittance of funds.
5. Service of general utilities.
6. Creation of loan deposits.
7. Creation of medium of exchange.
8. Contribution in foreign trade.
9. Formation of capital.
10. Creation of Investment Environment.
11. Act as Referee.
12. Act as an Advisor.
13. Help people travel abroad.
14. Purchase and sale of prize bonds. Etc

Functions of Central Banks.

Issue of notes and coins.
Government Banks.
Banker's Bank.
Lender of the last Resort.
Reservoir of foreign currency.
Clearing House.
Credit Control.
Control Currency Market.
Stabilize Exchange Rate.
Maintain Gold Standards.
Stabilize Price-Level.
Stabilize Business Activities.
Employment Opportunities.
Expansion and Development Functions.

Adviser and Representative of Government.
Economic Research.

Types of Bank accounts.

a. Savings Account.
b. Current Account.
c. Fixed deposit Account.
d. Recurring deposit Account.

Types of Commercial Banks.

1. Public sector banks.
2. Private sector banks.
3. Small finance banks.
4. Regional rural banks.

What is e-Banking? Electronic banking or e-banking engages electronic mediums enabling customers to access their funds. It does away with the need of the customer to visit the bank premises for transactions. With greater penetration of the internet, it has become easier for customers to avail the facilities of e-banking. E-banking has become convenient for both bankers and customers. Banks have to bear reduced transaction cost and also significantly less margin for human error. The fixed costs also lessen considerably.

References:

1. Hoggson,N.F 1926 Banking Through the Ages.
2. Goldwaite,R.A Banks Places and Entrepreneurs in Renaissance Florence.
3. Rondo E.Cameron. A Concise Economic History of the World.
4. H Williams Building type Basics for Banks and Financial Institutions.