

B.Com – Notes - Simple and Easy notes

Introduction:

Bank is an institution which deals in money and credit. It accepts deposits from the public and grants loans and advances to those who are in need of funds for various purposes. Banks encourage saving habits among individuals and thereby make funds available for their use whenever requires.

Definition:

The Banking Companies Act, 1949 defines a banking company as “a company which transacts the business of banking in any state of India, and the word banking has been defined as accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise, and withdrawable by Cheque, draft, order or otherwise.”

Types of Banks:

We can classify the banks as follows:

Central Bank:

The main function of the central bank is to regulate money supply and to maintain economic stability of the country. The central bank can print currency notes. The central bank does not accept deposits from public. The Central bank provides loan to banks and financial institutions. It is owned and controlled by the government of India. The Central bank frames the monetary policy and credit policy for the country.

Commercial Bank:

These banks accept the deposits from the general public and provide short term loans to traders, manufacturers and businessmen by way of cash credits, overdrafts, and etc. by charging some interest on the amount lent to them. commercial banks provide various services like collecting cheques, bills of exchange, remitting money from one place to another place, etc.

Co-operative Banks:

Co-operative banks are financial institutions registered under the co-operative societies Act. The main objective of such a bank is to give credit to economically backward people. These Banks are situated in rural areas encourage saving habit among the villagers and give loans at a low rate of interest.

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Development Banks:

These banks give loans to business who requires medium and long term capital for purchase of machinery and equipment, for using latest technology or for expansion and modernization. Such financial assistance is provided by development banks.

Foreign Banks:

A number of foreign banks with their head offices in other countries carry on business in India through their branches. These banks deal in transactions involving Foreign Exchange. Buying and Selling of Foreign Currency is their main function.

Regional Rural Banks:

These are special types of banks which look after the special needs of weaker sections of rural areas. They work under the control of commercial banks which establish these banks.

