

# The background of the commercial banks finance essay

[Finance](#), [Banks](#)



Commercial bank is a type of financial institution and intermediary that provides services such as accepting deposits, giving business loans, mortgage lending, and basic investment products like savings accounts and accepts time deposits. Commercial bank being a financial institution has a wide range of functions which satisfies the financial needs of sectors such as communication, agriculture, industry and many more. It shows that they play a very significant role in the process of economic social needs. There are 7 main functions of a commercial bank which are accepting deposits, giving loans, over-drafts, discounting of bills of exchange, investment funds, agency functions and other miscellaneous functions. The commercial banks accept deposits from the different sections of the society based on the financial conditions. For example, a person from a lower income category deposit money into the bank in small amounts for saving purposes but a businessman in the other hand deposits savings for the convenience of payments. There are three types of deposits which are current deposit, fixed deposit and savings deposit. Current deposit allows a person to withdraw and deposit their money whenever they wish with a minimal interest rate or zero interest. Fixed deposit in the other hand allows a person to deposit their money for a certain period of time with conditions which is not less than a year and the interest rate in return is very high. Savings deposit is cash that can be deposited and withdrawn once or twice a week. This is basically to muster small savings in the forms of deposits. Besides that commercial banks gives loans to its customers and charges interest which is the main source of income for the bank. Types of loans offered are demand loans, short term loans, and cash credit. Demand loans are loans which gives the

lender the ability to demand full payment of the remaining balance of the loan at any point in time after the loan is being issued. These loans do not include specific schedules to make payments for the the debt. Likewise short term loans may be given as personal loans and the entire loan amount is transferred to the loan account of the borrower and interest rates are very high. Cash credits are a form of short term cash loan to a business. This type of loan is usually used for expenses in a business and the repayment time is within 12 months or lesser. Banks issues over drafts for its customers when there is no deposit in the current account and they make sure there is a high security from their customers. Besides that, high interest rates are also charged. In addition to that, banks have investment of funds whereby they invest their surplus funds in 3 types of securities which is government securities, other approved securities and other securities. Not done with explanation.-discounting of bills of exchange (idkkkk how to explain)-agency functions- Miscellaneous

Based on the Australian banking industry, the four major domestic banks which has the largest market shares in the retail and commercial banking sectors is The Australia and New Zealand Banking Group (ANZ), Commonwealth Bank of Australia (CBA), National Australia Bank (NAB) and Westpac Banking Corporation (WBC). According to Forbes, The World's Leading Companies, April 2010; Austrade proves that the Commonwealth Bank Australia has reached the highest percentage of sales compared to the other banks which is 31. 8 billion USD and 3. 8 billion USD profits were made making it ranked number 59 in the world.

Rank	Company	Sales US\$ Billion	Profits US\$ Billion	Assets US\$ Billion	Market value US\$ Billion
59	Commonwealth Bank	31.83	8500	275	167
	Westpac				

Banking Group 31. 23. 0519. 071. 079 National Australia Bank 32. 52. 3574. 448. 883 ANZ Banking 26. 92. 6420. 553. 7 Reasons for choosing Commonwealth Bank : Robust business and market positions in key retail market segments A technology platform that positions the bank for the future Low-risk traditional Australian retail and commercial banking activities Globally among the strongest banks in terms of key earnings and asset-quality metrics • Potential recipient of extraordinary government support in the unlikely event it were required Do I need to include this? Facts and figures Strategic vision : To be Australia's finest financial services organisation through excelling in customer service. Financial information : • Our shareholder base totals approximately 800, 000. • More than 75 per cent of our staff in Australia are shareholders. • Net profit after tax on statutory basis increased 1 per cent to \$3, 661 million and on cash basis, up 6 per cent to \$3, 780 million (as at 31 December 2012). • Fully franked interim dividend of \$1. 64 per share, an increase of 20 per cent on the 2012 interim dividend. The dividend payout ratio (cash basis) of approximately 70 per cent is up from 61 per cent for the prior year's interim dividend. This increase is consistent with the Board's revised dividend policy, announced in August 2012, which increased the payout ratio for the interim dividend. Accordingly, the final dividend for the 2013 year is likely to be slightly lower than the final dividend for the 2012 year. • The Group has \$721, 339 million in assets (as at 31 December 2012). Refer to the Profit Announcement for the most current financial statements and statistics for the Commonwealth Bank. Distribution network : • The Commonwealth Bank operates the largest financial services distribution network in the country

with the most points of customer access. •Over 1, 100 branches nationally. •Over 3, 700 Australia Post agencies. •Over 4, 200 ATMs nationally. •The Commonwealth Bank supports more than 274, 000 EFTPOS terminals throughout Australia. Services : •We are the first Australian bank to go real-time, 24x7 and one of the first in the world. •We offer personal banking services at over 3, 700 Australia Post agencies and transactional banking services for business clients at close to 500 Australia Post agencies across the country. Idk how and what to take for the reason ☹ . More on the bank profile : <http://www.commbank.com.au/about-us/group-funding/articles/group-funding-standard-and-poors.pdf>