

# [What are the main functions of a bank](https://assignbuster.com/what-are-the-main-functions-of-a-bank/)

[Business](https://assignbuster.com/essay-subjects/business/)

The main functions of commercial banks are: Acceptance of deposits; commercial banks accept deposits from their clients both individuals and firms.

To accomplish this, they offer different types of accounts to suit the depositors such as current account, savings account and fixed deposit account. Extending loans; commercial banks extend loans both to the public and private sector. These loans maybe short term loans, medium term or long term loans. It’s from the loans extended that commercial banks get part of their income in form of interest. Does a commercial bank differ from a Savings and Loan Association? Explain your answer. Savings and loan associations are primarily established for financing long-term residential mortgages.

They accept deposits in saving accounts and then when deposits grow to a certain level, they loan money specifically for buying homes. They also pay interest on deposit taken. Banks takes all kinds of deposits and loan money for a variety of purposes. Financing mortgages is not their primary function. What are the functions of a Credit Union? Credit unions are non-profit cooperatives belonging to and run democratically by members.

They are primarily formed to enhance savings and to lend credit to members and reasonable interest rates. They are members-only establishments. Persons intending to benefit from a credit union must first subscribe as a member if they meet the criteria set by the credit union. Credit unions pool the members’ resources together and loan to each other. Majority of the banks in U.

S are members of a corporation which helps and back up the banks’ activities? What is the name of this entity and what is their main functionThe name of the entity is the American Bankers Association (ABA). It is an industry trade group that represents the American banking industry. The Association was formed in the Washington DC in 1875. The association is made up of banks of all manners but the majorities are the banks who have an asset base of less than $125 million. This is representing of 95% of the banking industry in America. The organization has a personnel base of more than 2 million staff.

The American Bankers Association or ABA does the job of influencing the Legislative and regulatory policy of the federal and state government on banks. It also offers legal action and offer communication within the banking sector. The association is also crucial in performing the consumer research on products and services and also hellps banks to promote, train and also educate their members What are some the newest forms of banking (in your opinion). Give the merits and demerits of at least one of these types of banking. The newest forms of banking include online banking and mobile banking popularly known as m-banking.

Online banking refers to banking transactions that are done via the internet. It offers a customer the ability to access his or her account by entering the bank’s website and using the pin number. The customer is able to withdraw money, deposit money, settle bills, apply for a loan and do investments. Online banking is growing exponentially because of its convenience. One can access his account at any time and from any location on the globe as far as internet is available. It also enables the customers to settle their bills online increasing safety and convenience.

Its however becoming a target for online thieves who target unsuspecting customers and take bank account details which they use to steal online. Another new form of banking is mobile banking also referred to as M-Banking. It allows customers to access their accounts via their mobile phones or Personal Digital Assistant,(PDA). It has increased access to banking services in developing countries.