Anchoring matter for fresher party

Meaning of Bank It is generally said that the word “ BANK” has been originated in Italy. In the middle of 12th century there was a great financial crisis in Italy due to war. To meet the war expenses, the government of that period imposed a forced subscribed loan on citizens of the country at the interest of 5% per annum. Such loans were known as Compara, Mintuo etc. The most common name was Monte. In Germany the word Monte was named as Bank or Banke. According to some writers, the word Bank has been derived from the word Banke. It is also said that the word Bank has been derived from the word Banco which means a banch.

The Jewsmoneylenders in Italy used to transact their business sitting on banches at different market places. When any of them used to feel to meet his obligations, his banco or banch would be broken by the angry creditors. The word Bankrupt seems to be originated from broken banco. Since, the banking system has been originated from money lending business, it is rightly argued that the word Bank has been originated from the world banco. Today the word bank is used as a comprehensive term for a number institutions carrying on certain kinds of financial business.

In practice, the work Bank means which borrows money from one class of people and again lends money to another class of people for interest or profit. Definition of a Bank Oxford Dictionary defines a bank as " an establishment for custody of money, which it pays out on customer's order. " Definition of banking In general terms, the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit.

These banks are helpful for salaried people and low income groups. The deposits collected from customers are invested in bonds, securities, etc. At present most of the commercial banks carry the functions of savings banks. Postal department also performs the functions of saving bank. Type 2. Commercial Banks Commercial banks are established with an objective to help businessmen. These banks collect money from general public and give short-term loans to businessmen by way of cash credits, overdrafts, etc. Commercial banks provide various services like collecting cheques, bill of xchange, remittance money from one place to another place. In India, commercial banks are established under Companies Act, 1956. In 1969, 14 commercial banks were nationalised by Government of India. The policies regarding deposits, loans, rate of interest, etc. of these banks are controlled by the Central Bank. Type 3. Industrial Banks / Development Banks Industrial / Development banks collect cash by issuing shares & debentures and providing long-term loans to industries. The main objective of these banks is to provide long-term loans for expansion and modernisation of industries.

In India such banks are established on a large scale after independence. They are IndustrialFinanceCorporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI) and Industrial Development Bank of India (IDBI). Type 4. Land Mortgage / Land Development Banks Land Mortgage or Land Development banks are also known as Agricultural Banks because these are formed to finance agricultural sector. They also help in land development. In India, Government has come forward to assist these banks. The Government has guaranteed the debentures issued by such banks.

There is a great risk involved in the financing of agriculture and generally commercial banks do not take much interest in financing agricultural sector. Type 5. Indigenous Banks Indigenous banks means Money Lenders and Sahukars. They collect deposits from general public and grant loans to the needy persons out of their own funds as well as from deposits. These indigenous banks are popular in villages and small towns. They perform combined functions of trading and banking activities. Certain well-known indian communities like Marwaries and Multani even today run specialised indigenous banks.

Type 6. Central / Federal / National Bank Every country of the world has a central bank. In India, Reserve Bank of India, in U. S. A, Federal Reserve and in U. K, Bank of England. These central banks are the bankers of the other banks. They provide specialised functions i. e. issue of paper currency, working as bankers of government, supervising and controlling foreign exchange. A central bank is a non-profit making institution. It does not deal with the public but it deals with other banks. The principalresponsibilityof Central Bank is thorough control on currency of a country. Type 7.

Co-operative Banks In India, Co-operative banks are registered under the Co-operative Societies Act, 1912. They generally give credit facilities to small farmers, salaried employees, small-scale industries, etc. Co-operative Banks are available in rural as well as in urban areas. The functions of these banks are just similar to commercial banks. Type 8. Exchange Banks Hong Kong Bank, Bank of Tokyo, Bank of America are the examples of Foreign Banks working in India. These banks are mainly concerned with financing foreign trade. Following are the various functions of Exchange Banks :- . Remitting money from one country to another country, 2. Discounting of foreign bills, 3. Buying and Selling Gold and Silver, and 4. Helping Import and Export Trade. Type 9. Consumers Banks Consumers bank is a new addition to the existing type of banks. Such banks are usually found only in advanced countries like U. S. A. and Germany. The main objective of this bank is to give loans to consumers for purchase of the durables likeMotor car, television set, washing machine, furniture, etc. The consumers have to repay the loans in easy installments. Definition of 'Central Bank'

The entity responsible for overseeing the monetary system for a nation (or group of nations). Central banks have a wide range of responsibilities, from overseeing monetary policy to implementing specificgoalssuch as currency stability, low inflation and full employment. Central banks also generally issue currency, function as the bank of the government, regulate the credit system, oversee commercial banks, manage exchange reserves and act as a lender of last resort. Investopedia explains 'Central Bank' The central banking system in the U. S. is known as the Federal Reserve System commonly known as " the Fed"), which is composed of 12 regional Federal Reserve Banks located in major cities throughout the country. The main tasks of the Federal Reserve are to supervise and regulate banks, implement monetary policy by buying and selling U. S. Treasury bonds and steer interest rates. Ben Bernanke currently serves as the chairman of the Board of Governors of the Federal Reserve.

These days, in all the countries where there is a central bank generally it has got the monopoly or the sole right of note-issue. In the beginning this was not the function of Central Bank but gradually all the central banks have acquired this function. First of all, Central Bank of England got the right of note-issue in the year 1844. In actual practice, upto the beginning of twentieth century, generally central banks were recognized as the banks of note-issue. In India, R. B. I. , the central bank of India has got the right of note-issue. 2. Banker, Agent & Adviser to the Government:

As banker to the government, central bank provides all those services and facilities to the government which public gets from the ordinary banks. It operates the accounts of the public enterprises. It manages government departmental undertakings and government funds and when there is a need gives loans to the government. It looks after the management of public debt. It accepts the payment of taxes from the public on behalf of the government and makes payment for the cheques issued by the government. It also undertakes transactions relating to foreign currencies on behalf of the government.

Custodian of Cash Reserves of Commercial Bank: Central bank is the bank of banks. This signifies that it has the same relationship with the commercial banks in the country which they have with their customers. It provides security to their cash reserves, gives them loan at the times of need, gives them advice on financial and economic matters and works as clearing house among various member banks. A definite percentage of deposits of commercial banks are kept as reserve with the central bank. This leads to centralisation of cash reserve and facilitates working of credit control. These funds re of great significance during the time of emergency.

Custodian of Nation's Reserves of International Currencies: Central bank is the custodian of the foreign currency obtained from various countries. This has become an important function of central bank, these days, because with its help it can stabilize the external value of the currency. This function has become highly important after the WorldDepressionof 1929 and the establishment of the International Monetary Fund.

Lender of the Last Resort: Central bank works as lender of the last resort for commercial banks because in the times of need t provides them financial assistance and accommodation. Whenever a commercial bank faces financial crisis, central bank as lender of the last resort comes to its rescue by advancing loans and the bank is saved from being failed. Central bank helps commercial banks by discounting their bills and securities. Clearing House Function: All the commercial banks have their accounts with the central bank. Therefore, central bank settles the mutual transactions of banks and thus saves all banks contacting each other individually for setting their individual transactions, in this way; the unnecessary cash ransactions between individual banks are avoided.

Credit Control: This is a very important function. These days, the most important function of central bank is to control the volume of credit for bringing about stability in the general price level and accomplishing various other socio-economic objectives. There are number of methods which a central bank may use for controlling the volume of credit such as bank rate, open market operations, change in reserve ratio and various selective controls. These methods have been discussed in detail in the next question.