

Role of Banks and Commercial Bank

The most important function of a bank is to collect deposits from the public and lend those deposits for the development of businesses. Banks are profit making institutions. Banks use the major portion of the deposits to extend loans. There is a huge demand for loans for various activities. Banks mediate between those who have surplus funds(depositors) and those who need funds (borrowers). Banks charge a higher interest rate on loans than what they offer on deposits. This difference is the main source of income of banks. The rate of interest that a bank offers to depositors is known as the borrowing rate, while the rate at which bank lends its money is known as the lending rate. Primary functions of a bank include: to accept deposits, to provide loans and to credit cash. Secondary duties of a bank include: discounting bills of exchange, overdraft facility, purchasing and selling of the security, and providing locker facility etc. Commercial banks could be private banks such as HDFC and ICICI, public banks such as SBI,Punjab National Bank and foreign banks such as HSBC.

Short Answer Questions

1. Name two public banks of India.
2. What are the primary duties of a bank?
3. Is gold seals a modern form of money?
4. What are modern forms of money?
5. Name two private sector banks.

