

# **Nalanda Open University**

## **Department of Economics**

- Name of Counsellor –Dr. Amit Ranjan
- Name of Course Coordinator – Prof. (Dr.) D. N. Jha
- Course – BA Economics (Part –II)
- Paper – IV (Money banking and Public Finance)
- Topic – Functions of Commercial Banks

# Definition of Commercial Banks

- A bank is an establishment which makes to individuals such advances of money as may be required and safely made, and to which individuals entrust money which when required by them for use. Prof. Kinley
- The accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdrawal by cheque, draft, order or otherwise. By The Indian Companies Act 1949

# Functions of Commercial Banks

- Deposit Acceptances –
  - Fixed Deposit Accounts
  - Current Accounts
  - Saving Bank Accounts
- Advancing of Loans to Customers –
  - Granting Ordinary Loans
  - Cash Credit
  - Overdraft
  - Discounting of Bill of Exchange

# Functions of Commercial Banks

- Investments of Funds
- Promotes Cheque and Card Payment facilities
- Agency Functions of Commercial Banks –
  - Transfer of Funds
    - Collecting Cash on behalf of customers
    - Collecting Cheques on behalf of customers
    - Collecting dividends on behalf of customers
  - Bank acting as a TRUSTEE
    - Acts as a correspondent on behalf of customers
- Purchase and Sale of Foreign Currencies
- Financing domestic and foreign trade

# Functions of Commercial Banks

- Safe Custodian of valuable and precious goods
- Collecting Statistical Data of the economy
- Providing advices to customers on finance issues
- Creation of Credit
- Fulfillment of Socio-economic requirements