

VIDYA BHAWAN BALIKA VIDYA PITH

शक्ति उत्थान आश्रम लखीसराय बिहार

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BUSINESS SERVICES

(ii) Cooperative Banks: Cooperative Banks are governed by the provisions of State Cooperative Societies Act and meant essentially for providing cheap credit to their members. It is an important source of rural credit, i.e., agricultural financing in India.

(iii) Specialised Banks: Specialised banks are foreign exchange banks, industrial banks, development banks, export-import banks catering to specific needs of these unique activities. These banks provide financial aid to industries, heavy turnkey projects and foreign trade.

(iv) Central Bank: The Central bank of any country supervises, controls and regulates the activities of all the commercial banks of that country. It also acts as a government banker. It controls and coordinates currency and credit policies of any country. The Reserve Bank of India is the central bank of our country.

Functions of Commercial Banks

Banks perform a variety of functions. Some of them are the basic or primary functions of a bank while others are agency or general utility services in nature. The important functions are briefly discussed below:

(i) Acceptance of deposits: Deposits are the basis of the loan operations since banks are both borrowers and lenders of money. As borrowers they pay interest and as lenders they grant loans and get interest. These deposits are generally taken through current account, savings account and fixed deposits. Current account deposits can be withdrawn to the extent of the balance at any time without any prior notice. Savings accounts are for encouraging savings by individuals. Banks pay rate of interest as decided by RBI on these deposits. Withdrawal from these accounts has some restrictions in relation to the amount as well as number of times in a given period. Fixed accounts are time deposits with higher rate of interest as compared to the savings accounts. A premature withdrawal is permissible with a percentage of interest being forfeited.

(ii) Lending of funds: Second major activity of commercial banks is to provide loans and advances out of the money received through deposits. These advances can be made in the form of overdrafts, cash credits, discounting trade bills, term loans, consumer credits and other miscellaneous advances. The funds lent out by banks contribute a great deal to trade, industry, transport and other business activities.

(iii) Cheque facility: Banks render a very important service to their customers by collecting their cheques drawn on other banks. The cheque is the most developed credit instrument, a unique feature and function of banks for the withdrawal of deposits. It is the most convenient and an inexpensive medium of exchange. There are two types of cheques mainly

(a) bearer cheques, which are encashable immediately at bank counters and

(b) crossed cheques which are to be deposited only in the payees account.

(iv) Remittance of funds: Another salient function of commercial banks is of providing the facility of fund transfer from one place to another, on account of the interconnectivity of branches. The transfer of funds is administered by using bank drafts, pay orders or mail transfers, on nominal commission charges. The bank issues a draft for the amount on its own branches at other places or other banks at those places. The payee can present the draft on the drawee bank at his place and collect the amount.

(v) Allied services: In addition to above functions, banks also provide allied services such as bill payments, locker facilities, underwriting services They also perform other services like buying and selling of shares and debentures on instructions and other personal services like payment of insurance premium, collection of dividend etc.