

VIDYA BHAWAN BALIKA VIDYA PITH

शक्ति उत्थान आश्रम लखीसराय बिहार

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Money and Banking

Banks and Banking System:-

Commercial Banks: Commercial Banks are financial institution who accepts deposits from the public and provide loans facilities for investment with the aim of earning profit.

Functions of Commercial Banks:-

1. Primary functions:-

(a) Accepting deposits

(b) Advancing loans

(c) Discounting bill of exchange.

2. Secondary functions:-

(i) Agency function (a) Transfer of fund

(b) Collection of funds

(c) Purchase and sale of shares and securities on behalf of the customers

(d) Collection of dividend and interest

(e) Payment of bills and insurance premium on behalf of customers

(f) Acting as executor and trustee of will

(g) Acting as correspondent and representative of customer and provide letter of credit to the customer.

(ii) General utility function

(a) Purchase and sell of foreign exchange.

(b) Issuance of traveller's cheque.

(c) Safe custody of valuable goods in lockers.

(d) Underwriting of securities.

Central Banks: The central Bank is the apex institution of monetary and financial system of a country. It makes monetary policy of the country in public interest. It manages, supervises and facilitates the banking system of the country.

Functions of Central Banks

1. Bank of Issue
2. Banker to the Government
3. Banker's Bank and Supervisor.
4. Controller of credit.
5. Lender of last resort
6. Custodian of foreign exchange reserves