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FUNCTIONS OF PUBLIC
SECTOR BANKS.

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. Introduction.

The main functions of commercial banks are accepting deposits from the public and advancing them loans. However, besides these functions there are many other functions which these banks perform. All these functions can be divided under the following heads. public sector banks are the ones in which the government is a major holding. They are divided into two groups example :- Nationalized Banks and State Bank of India and its associates :-

Accepting Deposits.

- The most important functions of commercial banks is to accept deposits from the public. Various sections of society, according to their needs and economic condition, deposit their savings with the banks. For example, fixed and low income group people deposit their savings in small amounts from the points of view of security, income and savings promotion.
- On the other hand, readers and businessmen deposit their savings in the banks for the convenience of payment. Therefore, keeping the needs and interests of various sections of society, banks formulate various deposit schemes. Generally, there are three types of deposits which are as follow-

.TYPES.

1. Current deposits :-

The depositors of such deposits can withdraw and deposit money whenever they desire. Since banks have to keep the deposited amount of such accounts in cash always, they carry either no interest or very low of interest.

2. Fixed Deposits :-

These are the deposits which are deposited for a definite period of time. This period is generally not less than one year and, therefore, these are called a long term deposits.

These deposits generally carry a higher rate of interest because bank can use these deposits for a definite time without having the fear of being withdrawn.

. Saving. Deposits.

In such deposits, money upto a certain limit can be deposited and withdrawn once or twice in a week. On such deposits, the rate of interest is very less. As is evident from the name of such deposits their main objective is to liberalise small savings form of deposits.

These deposits are generally done by salaried people and the people who have fixed and less income.

Granting Loans.

The second important functions of commercial banks is to advance loans to its customers. Bank charge interest from the borrowers and this is the main source of their income.

Bank advance loans not only on the basis of the deposits of the public rather they also advance loans on the basis of depositing the money in the accounts of borrowers.

Modern bank give mostly secured loans for productive purpose. In other words, at the time of advancing loans, they demand proper security or collateral.

Banks generally gives following type of loans and advance.

• TYPES •

a) Cash credit :-

In this type of credit scheme, banks advance loans to its customers on the basis of bonds, ~~investories~~ and other approved securities. Under this scheme, banks enter into an agreement with its customers to which money can be withdrawn many times during year.

b) Demand loans :-

These are such loans that can be recalled on demand by the banks. The entire loan amount is paid in lump sum by crediting it to the loan account of the borrower and thus entire loan becomes chargeable to interest with immediate effect.

Agency Functions.

The importance functions of these these type are as follows :-

- 1.) Banks collect cheques, drafts, bills of exchange and dividends of the shares for their customers.
- 2.) Bank make payments for their clients and at times accept the bills of exchange of their customers for which payments is made at the fixed time.
- 3.) Banks purchase and sell securities, shares and debentures on behalf of their customers.
- 4.) Banks arrange to send money from one place to another for the convenience of their customers.

Miscellaneous functions.

- 1.) Banks give reference for their customers.
- 2.) Banks collect necessary and useful statistics relating to trade and industry.
- 3.) For facilitating foreign trade banks undertake to sell and purchase foreign trade.
- 4.) Banks does the under writing of shares and debentures also.

- Banks issue letters of credit:-

During natural calamities, banks are highly useful in mobilizing & donations.

Banks provide loans for consumer durables like car, Air-conditioner, and fridge etc.