Banking (PUN003)

Banking is an industry that deals with credit facilities, storage for cash, investments, and other financial transactions. The banking industry is one of the key drivers of most economies because it channels funds to borrowers with productive investments. The 4 different types of banks are Central Bank, Commercial Bank, Cooperative Banks, Regional Rural Banks. Banks perform a myriad of functions, including deposits and withdrawals, currency exchange, forex trading, and wealth management. Also, they act as a link between depositors and borrowers, and they use the funds deposited by their customers to provide credit facilities to people who want to borrow. Banks make money by charging an interest rate on loans, where they profit by charging a higher interest rate than the interest rate, they pay on customer deposits. However, they must comply with the regulations set by the central bank or national government.

Savings account: A savings account is a bank account that a customer can deposit money in that they do not need right away, but that is available for withdrawal whenever needed. The bank loans out the money to borrowers and charges interest on the amount of credit disbursed.

Current Account: These accounts are active accounts opened by businessmen, corporate bodies, traders, etc. Current accounts can be operated periodically due to many receipts and payments of money in connection with the business. There are no restrictions on the number of deposits and withdrawals.

Fixed/ Term Deposits: It encapsulates both deposits for a fixed period and deposits subject to withdrawal notice. Fixed deposits are term deposits remunerable after a predetermined period decided at the time of deposit. Call deposits can be considered as demand or term liabilities subject to terms of repayments and notice of withdrawal agreed at the time of accepting such deposits. They are not transferable.

Recurring Deposit Account: Customers remit a particular amount on monthly instalments for a period ranging from 6 months to 120 months in a standard pattern. The entire sum along with the interest is payable after the payment of the last instalment. Recurring deposit accounts are very useful to the middle class and low-income people. The time period of deposit ranges from 6 months to 10 years. Minimum amount to be deposited in the RD account is INR 500 per month and thereafter in multiples of INR 100.

Checking Account: A checking account allows customers to access their deposited funds with ease, and they can use it to make their financial transactions such as paying bills. A customer can access the funds by writing a check, using a debit card to withdraw money or make payments, or by setting up automatic transfers to another account.

Certificate of Deposit: A certificate of deposit is a bank account that holds a fixed amount of money for a defined period of time such as six months, one year, two years, etc. It pays a fixed interest rate on the amount held.

Central Bank: A central bank is a public institution that is responsible for implementing monetary policy, managing the currency of a country, or group of countries, and controlling the money supply. Some of the main responsibilities central banks have are:

Commercial Bank**:** Commercial banks are the most common type of bank. They provide various services such as providing business loans, accepting deposits, and offering basic investment products to both individuals and private businesses. Commercial banks also offer other financial services such as global trade services, merchant services, insurance products, retirement products, and treasury services. They make money by providing business loans to individual and corporate borrowers and earning interest income from them, and also by charging service fees.

Cooperative Banks: Cooperative banking is a type of banking service that is provided by a cooperative, which is a financial institution that is owned and controlled by its members. Cooperative banks are founded by collecting funds through shares, accepting deposits and granting loans. Cooperative banking services are typically focused on providing credit and other banking services to members of the cooperative. Cooperative banking services may include savings accounts, checking accounts, loans, mortgages, insurance, and investment services. In addition, cooperative banks may offer a variety of services aimed at helping members of the cooperative with their financial needs, such as financial education and money management programs.

Regional Rural Banks: Regional Rural Banks were established under the provisions of an Ordinance passed on 26 September 1975 and the RRB Act 1987 to provide sufficient banking and credit facility for agriculture and other rural sectors. Regional Rural Banks (RRB) are Indian Scheduled Commercial Banks (Government Banks) operating at regional level in different states of India. They have been created with a view of serving primarily the rural areas of India with basic banking and financial services. However, RRBs may have branches set up for urban operations and their area of operation may include urban area too.

Some others sub types of banks in market re Investment banks and credit union banks, Investment banks are banks that provide corporate clients access to the capital markets to raise funds for expansion. They help companies raise funds in the stock market and bond market to finance their expansion, acquisitions, or other financial plans. They also facilitate mergers and acquisitions by identifying viable companies for acquisition that meet the buyer's criteria. Investment banks make money by offering advisory services to corporate clients, trading in the financial markets, and representing clients in mergers and acquisitions and credit union is a type of bank that is open to a specific category of people who are eligible for membership. It is member-owned and is operated by the members on the basis of people helping people. Traditionally, credit unions served either residents of a local community, members of a church, employees of a specific company or school, etc. The ownership structure of credit unions allows them to offer more personalized and lower-cost banking services to their members. Due to their small operating size, credit unions may pay higher interest rates than banks, and customers can build a better relationship with the banking staff. On the downside, the credit unions' operations are limited, and the customer's deposits are less accessible.

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