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B.A Economics
Part-1
Topic: Commercial Banks

Commercial Bank

Commercial Banks are the Financial Institution which act as the intermediaries between borrower and lender. Commercial Banks are the most important components of the whole banking system. It is a profit based financial institution that grants loans, accept deposits, and offers other financial services, such as overdraft facilities and electronic transfer of funds.

In other words, commercial Banks are financial institutions that accept demand deposits from the general public, transfer funds from the bank to another, and earn profit. It plays most important role in fulfilling short term and medium term financial requirements of industries. It does not provide long term credit, so that liquidity of assets should be maintained.

Types of Commercial Bank:

- **Public Sector Banks**

It refers to a type of bank that are nationalised by the government of a country. In public sector banks, the major stake is held by the government. In our country, public sector banks have to follow the guidelines provided by the RBI.

Some examples of Public sector banks- *State Bank of India, Corporation Bank, Bank of Baroda, PNB etc*

- **Private sector Banks**

It refers to the kind of commercial Banks in which major part of share capital is held by private businesses and individuals. These banks are registered as companies with limited liability.

Some examples of Private sector banks- ICICI, HDFC etc

- **Foreign Banks**

These banks have headquarters in a foreign countries but operate branches in different countries.

Some examples of Foreign banks- *Hang Kong and Shanghai Banking Corporation (HSBC), Citibank, American Express Bank etc*

Functions of Commercial bank:

Commercial bank perform two types of function:

- **Primary Functions**
- **Secondary Functions**


