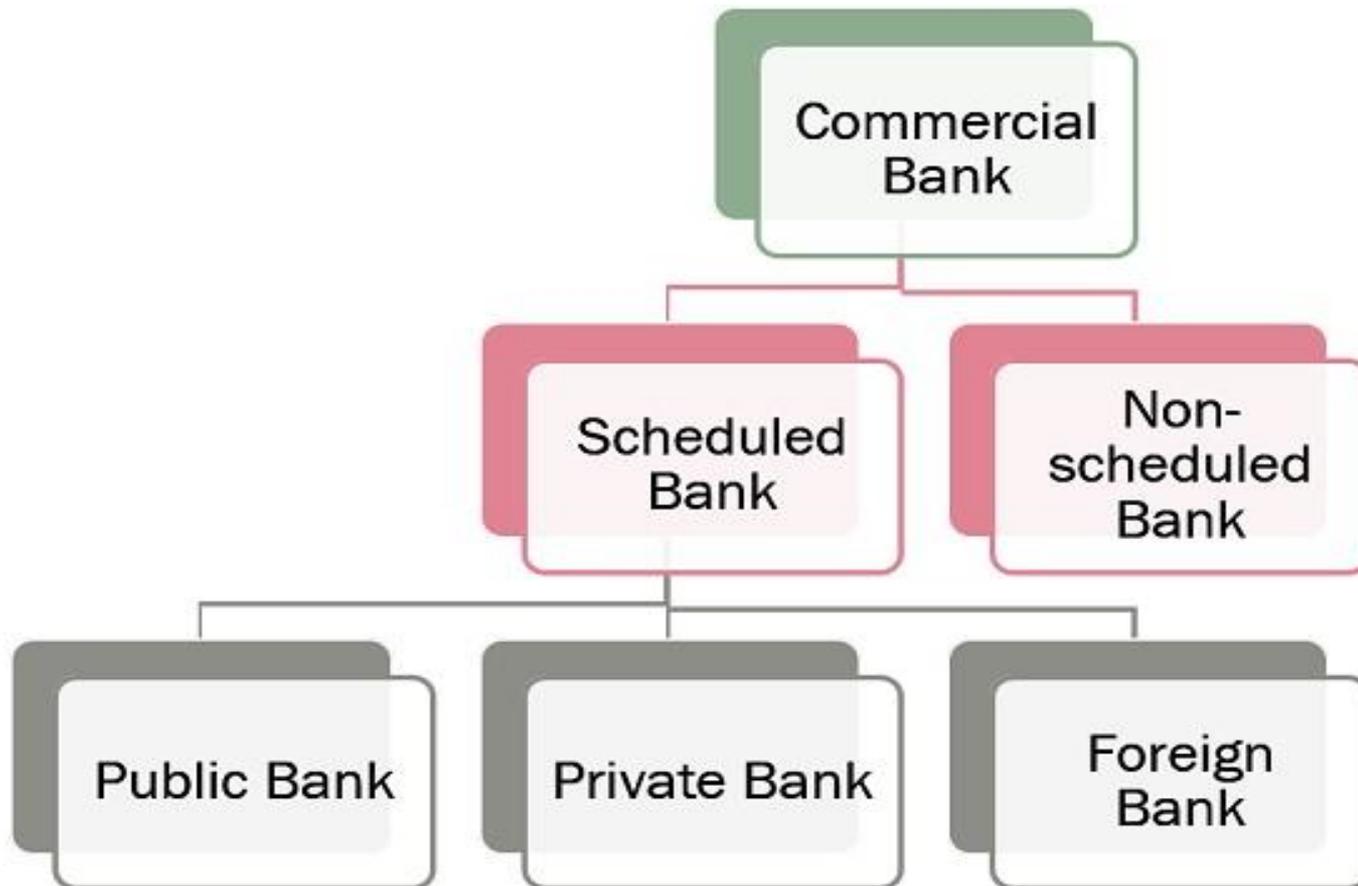


Commercial Banks

- Commercial Bank can be described as a financial institution, that offers basic investment products to the individuals and corporates.
- It is a profit making company, which pays interest at a low rate to the depositors and charges higher rate to the borrowers and in this way, the bank earns profit.

Types of Commercial Bank

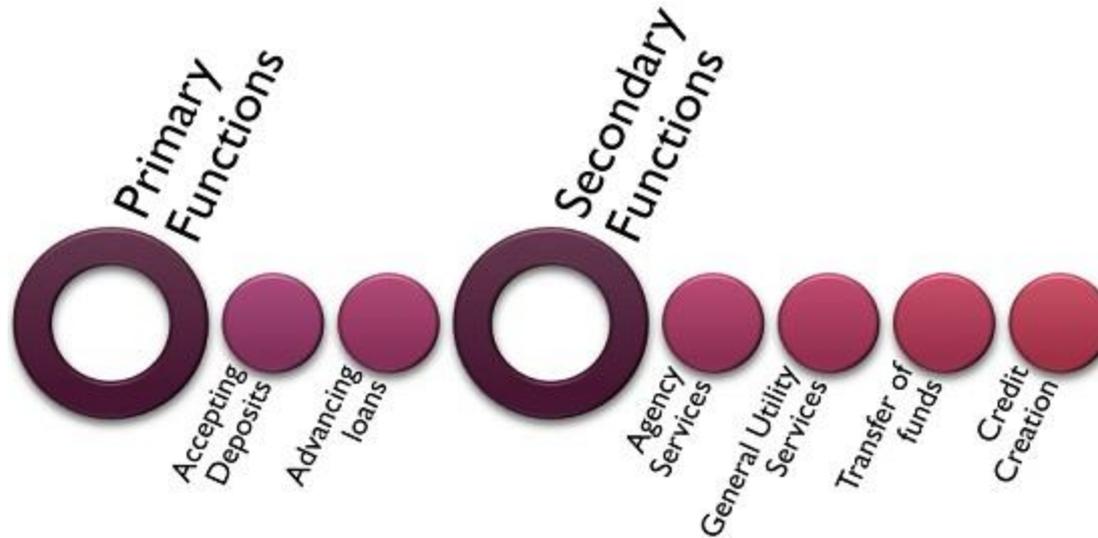


Commercial banks are classified into two categories i.e. **scheduled commercial banks** and **non-scheduled commercial banks**. Further, scheduled commercial banks are classified into three types:

- **Private Bank:** When the private individuals own more than 51% of the share capital, then that banking company is a private one.
- **Public Bank:** When the government holds more than 51% of the share capital of a publicly listed banking company, then that bank is called as Public sector bank.
- **Foreign Bank:** Banks set up in foreign countries, and operate their branches in the home country are called as foreign banks.

NON-SCHEDULED commercial banks refer to the banks which are not covered in the Reserve Bank of India's second schedule. The paid-up capital of such banks is not more than ₹5lakhs.

Functions of commercial bank



- 1. Primary functions:** Refer to the basic functions of commercial banks that include the following:
 - i) **Accepting deposits-** The primary functions for which the commercial banks were established to accept deposits from the general public, who possess surplus funds and are willing to deposit them so as to earn interest on it.
 - ii) **Advancing loans-** Next important function is lending money to the individuals and companies The banks make loans to the customers in the form of term loans, cash credit, overdraft and discounting of bills of exchange.

2. Secondary functions: Refer to crucial functions of banks. It can be classified under three heads, namely, agency functions, general utility functions, and other functions:

i) Agency functions- implies that commercial banks act as agents of customers by performing various functions like collecting checks, paying expenses etc.

ii) General utility functions- include providing locker facilities, issuing traveler's checks, dealing in foreign exchange, transferring funds etc.

iii) Other functions- include creating money, electronic banking etc.