Overview of Banks & their Organizational Structure

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Introduction

Finance is the life blood of trade, commerce and industry. Now-a-days banking sector acts as the backbone of modern business. Development of any country mainly depends upon the banking system.

Banking occupies one of the most important positions in the economic world.It is necessary for trade and industry. So Banking is very helpful to the economic activity and industrial progress of a country.

How Our Economy Run?

Banks play an important role in the process of economic development, which is clear from the following ways-

1.Capital Formation: Capital formation refers to the increase in the existing stock of capital goods in an economy. Banks reduce the capital deficiency by encouraging saving and investment.

2.Mobilization of Savings: Banks are playing important role in the mobilization of saving.Saving schemes helps to reduce the poverty in developing countries,it remains at the lowest level.

3.Availability of Funds: Bank has more availability of funds,poor population has poor resources for the economic development in poor countries.Bank remove the deficiency of capital by providing different types of funds that leads to economic development.

4.Self Sufficiencies: Banks provide incentive for the entrepreneurs to take risks and to use idle resources for more better production.It results in reduction in imports and increase in exports.

5.Implementation of Modern Technology: Bank provides more funds to people to make it possible to use the modern techniques of production. Due to implementation of modern technology, there is increase in production level and decrease in cost. Its save in time.

.Development of Agriculture Sector: Banks are playing an important role in the development of rural and agriculture sector.

. Development of Industrial Sector: Industrial sector is the backbone of their economies in rich nations. Some of the banks provide the remarkable service for the development of industrial sector.

. Expansion of Market: Banks help in the expansion of market.They help in the formation of sound economic infrastructure in order to raising the living standards.

. Research and Development: Commercial banks sometimes provide finances for research and development which leads to inventions and innovations.

0. Essential for foreign Trade: Foreign trade is one of the most important needs of all the countries of the world.International trade is necessary for the economic development.

11. Remove Budget Deficits: Bank is very helpful for the government.The government has to face the budget deficits because of increased expenditures and falling revenues.

12.Optimum Utilization of Resources: Banks help to allocates the resources.Some mega projects can not be started due to the lack of capital.Banks provide the loans and remove the problems of deficiency of capital.

13.Surplus in balance of payment: Developing countries are facing the problem of deficit in their balance of payment. Commercial banks are helpful to overcome this problem.

14.Creators and Distributors of money: Creation of money and distributors of money are the two main objectives of bank.

15. Provision of valuable Services: Banks are providing a lot of valuable services for the economic development.

16. Modern facilities: Banks are providing modern services to their customers like internet banking, ATM facilities,Mobile banking and debit & credit card facilities.

So,we can say that we can not develop our economic system without banking system. Banks play a important role to develop our economic conditions.

Financial system: Primitive financial system, Modern financial system

A banking system is a group or network of institutions that provide financial services for us.

Generally banks are working three ways system.These are -

➢ Financial system and
➢ Primitive Financial system
➢ Modern Financial system

❏ **Financial system:** A financial system is a set of institutions, such as **banks, insurance companies, and stock exchanges,** that permit the exchange of funds. Financial systems defined on firm, regional, and global levels. Borrowers, lenders, and investors exchange current funds to finance projects, either for consumption or productive investments, and to pursue a return on their financial assets.

- ❑ **Primitive Financial system:** Primitive financial system functionally to support the intelligence needs and speed of business most companies operate.Banking is not anything new.It has very old history,Which dates from the days of Greece and Rome.**This modern time banking has passed through different stages of development.**The ancient bankers performed many functions known to modern bankers.Now banking has got an organised existence. Money also links the history of origin of banking. **Money came to help trade and commerce.** But borrowing and lending for trade and commerce could not be carried on without banking.Hence, money created a logical necessity of banks. The role of banking would be meaningless without money and the role of money would be insignificant without banking.

So, we can say that the modern banking has its origin in three ancestors. Such as-

❖ The Goldsmiths
❖ The Merchants and
❖ The Moneylenders.

❏ **Modern Financial System:** Modern financial system offers a vital perspective on finance and the financial system by exploring the historical development of key financial instruments and institutions worldwide.

Modern day banks have been using the technology based services.The banking services are being rendered very fast and efficiently.

1.Telebanking services

2. Net banking services.

3. Issue of credit and debit card services.

4.Bank assurance

5.ATM

6.SMS alert services

7.Electronic Funds Transfer system

8.Electronic clearing services.

Thus in traditional banking the services are slow,but personalised; Whereas in modern banking,due to the introduction of technology the services are rendered fast.