RESEARCH PAPER | Commerce | Volume : 6 | Issue : 5 | May 2016 | ISSN - 2249-555X | IF : 3.919 | IC Value : 74.50

Functions of Nationalized Banks in India

KEYWORDS

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ABSTRACT *Nationalized banks are dealer in short and medium –term credit. It borrows money from a group of people at a lower rate of interest and lends to the other group of people at some higher rate of interest. The main function of banks are accepting deposits from the public and advancing them loans. In this paper you will study about the various functions and services provided by nationalized banks to the customer, business community, enterprisers in particular and the public in general.*

INTRODUCTION:
"In the Present Form, Bank is considered to be just like 4M"
"Money to Make More Money"

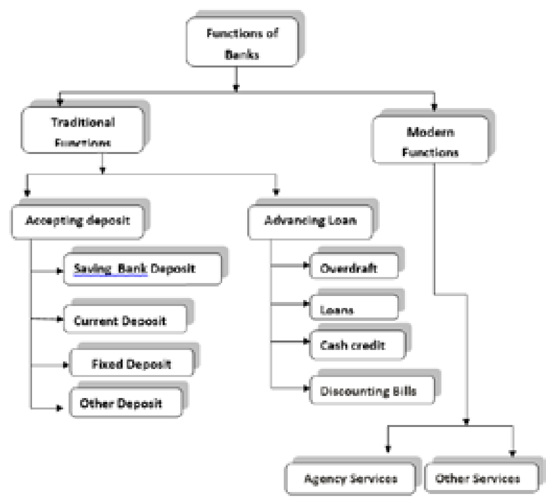
The Banking system originated in India. It was started by Jewelers and goldsmiths authoritative writers that as early as the Vedic period, say between 2000 and 1400 B.C records of taking and giving of credits are to be found. During Ramayana and Mahabharata era, banking had become fully fledged business activity and during the Manu smriti period which followed the Vedic period and the epic age, the business banking was carried out by the members of Vishay community. Even during English period the English traders, who came to India in the 16th century, established some contracts with the indigenous bankers by borrowing funds from them. it was in 1672 that this development of English banking received a rude setback.

In simple words, bank refers to an institution that deals in money. This institution accepts deposits from the people and gives loans to those who are in need. Besides dealing in money, bank these days perform various other functions, such as credit creation, agency job and general service. Bank, therefore is such an institution which accepts deposits from the people, gives loans, creates credit and undertakes agency work.

What is Nationalization?
Nationalization is the process of taking a private industry or private assets into public ownership by a national government or state. Nationalization usually refers to private assets, but may also mean assets owned by lower levels of government, such as municipalities, being transferred to be the state. The opposite of nationalization is usually privatization or de-nationalization, but may also be municipalization. Industries that are usually subject to nationalization include transport, communications, energy, banking and natural resources

DEFINITIONS OF BANK:
Indian Banking Companies Act - "Banking Company is one which transacts the business of banking which means the accepting for the purpose of lending or investment of deposits money from the public repayable on demand or otherwise and withdraw able by cheque, draft, and order or otherwise".

FUNCTION OF NATIONALIZED BANKS IN INDIA



The bank perform several crucial functions, which may be classified into two category (a) Traditional function / Core function (b) Modern function

TRADITIONAL FUNCTION / CORE FUNCTION :
Basic or Traditional functions of a bank are very important in nature. These functions provide base of the whole operation of the bank. The basic functions of a bank are as under:

Accepting the Deposit:
A bank accepts deposit from the public. People can deposit their cash balance either of the following accounts as per their convenience. The deposit can be accepted in the following manner

Fixed deposit: Cash is deposited in the account for the fixed period. The depositor gets receipts for the amount deposited. it is called fixed deposit receipt. Fixed deposits refer to those deposits, in which the amount is deposited with the bank for a fixed period of time.

Current Deposit: A depositor can deposit his funds any times and withdraw the same amount at any time he wishes. The business man mostly preferred to open this type of account. No charge of interest is paid. In fact, there

Volume : 6 | Issue : 5 | May 2016 | ISSN - 2249-555X | IF : 3.919 | IC Value : 74.50

are service charges. The depositor can get the benefit of overdraft facility.

Saving Deposit: The main objective Of saving deposit is to mobilize small savings in the form of deposits. This account encourages and motivates to small businessmen and small saving person like tea stall etc. This account is suitable for salary and wage earners. In this type of account charges of interest is very low. This account can be opened in single name or in joint names.

Other deposit: There may be other deposit to saving their fruits of money like deposit in Home Safe Saving Account, Recurring Deposit Account etc.

Advancing Loan:
Another primary function of the commercial bank is to advancing the loans. A certain part of the cash received by the bank as deposits is kept in the reserved and rest is given as loan. Banks generally give following types of loans and advances:

Cash Credit:
The word cash credit means to give cash on credit. It can be given to current account holders as well as to others who do not have an account with bank. In this type of credit scheme, banks advance loans to its customers on the basis of bonds, inventories and other approved securities. Under this scheme, banks enter into an agreement with its customers to which money can be withdrawn many times during a year. Under this set up banks open accounts of their customers and deposit the loan money. With this type of loan, credit is created.

Overdraft :
Overdraft is a short-term loan granted by commercial banks to their account holders. Under this type of loan, the customers are allowed to draw more than what they have in their current account up to a certain limit. The excess amount overdrawn is called overdraft.

Loans :
Loan is a basic need for all businessman and organization. Business cannot set or start without taking loan. So Commercial banks grant loans for short and medium-term to individuals and traders against the security of movable and immovable property. The amount of loan is credited to the borrower's account. Interest is charged on the entire loan sanctioned. Loans are normally secured against tangible assets (which can be seen and touch like land & building of the company.

Discounting Bill:
Discounting the bills of exchange means that facility is given to hold who can get the bill discounted with bank before the maturity. Bill discounted is also considered as a highly earning liquid assets and is included among the "money market Assets" Banks provide short term lean to the businessmen by discounting bills of exchange. The payment made by the bank to the holder of bill of exchange before its maturity is the amount of loan. The discount charged is the earning of the bank.

- HOUSING FINANCE
- EDUCATIONAL LOAN
- LOANS AGAINT SHARES
- LOANS AGAINST SAVING CERTIFICATE
- CONSUMER LOANS

B. MORDEN FUNCTION
It is also important function of the bank and this function consists two parts like Agency function & other service utilization function

Agency function:
The bank is in unknown name as a agent for its customers. The bank performs number of agency functions which includes.

1. Money Transfer from one branch to another from one place to another.
2. Bank also collects money of the bills of exchange.
3. Giving clearly instructions of the client for periodic payments
4. Purchase and sell the shares and debentures.
5. Receiving periodic collection of salary, pension & dividend.
6. Trustee and executor
7. Letter of references
8. Collection of cheque ,dividends, interest
9. Payment of rant, insurance, premiums
10. Dealing in foreign exchange
11. Act as correspondent
12. Preparation of income –tax return.

Other services / functions:
In the other services its included general utility function and development function

1. It provides safety not only for money but also for wealth.
2. It also mains arrangement for the traveler for cheque and letter of credit.
3. Information relating to economic position
4. Consultant service also provided like Financial Advisor
5. Correct and right information given to Public
6. Accepting of Bills
7. Security of Loans
8. Personal Credit
9. Management of Public Debt
10. Share Market Function
11. Management of foreign exchange.
12. Creating money
13. Electronic Banking

CONCLUSION:
The earlier empirical studies had largely focused on the function of nationalized banks. The results from this study present evidence that nationalized banks provide various types primary and secondary services and function. Thus it is found that the nationalized banks play a very important role in the economy, business community, enterprisers, in particular and the public in general.

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