



MAJOR ROLE AND RESPONSIBILITIES OF BANKS IN INDIA

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ABSTRACT Banks always play very important role for the economy growth in our country. They play a decisive role in the development of the industry and trade. The general role of banks is to provide financial services to the peoples for their various purpose including business. Bank in India comprises public sector banks, private banks, foreign banks, regional rural banks and cooperative banks. They are mobilizing term deposits from the customers. Most of the banks have got specialized units in their administrative structure to take care of the financial needs of the small scale industrial units. The objective of the study for knowing banks role and responsibilities in India.

KEYWORDS : Bank, Industry, Customer, Loan, Deposit

INTRODUCTION:

Bankers in India are expanding their business post-Independence aggressively. Banks which are conservative and conventional in their approach have come out from their shell and face the challenges of planned economic growth. In recent years non-conventional sectors are receiving the attention of banks in India. A better understanding of the implications of financing nonconventional sector by banks is possible only if one looks back the position of bank during the pre-nationalization time. Banks are the institutions that ordinarily accept term deposits from the customers and providing loans to some good customers. Banks have been established in accordance with the provisions of the Banking Regulation Act, 1949. According to Section 5(c) of the Banking Regulation Act, a banking company is a company which transacts the business of banking in India. According to Reserve Banks of India Act 1934, 'A Scheduled Bank is that bank which has been included in the second schedule of the Reserve Bank'.

Banks are categorized as 1) Public Sector Banks, which is having majority of stake are held by the government. Example Canara Bank, Indian Bank, Indian Overseas Bank, Vijaya Bank, Corporation Bank, Punjab National Bank etc. 2) Private Sector Banks which is having majority of stake are held by the private. Example HDFC Bank, Bandhan Bank, IDFC Bank, ICICI Bank, Karur Vysya Bank, City Union Bank. 3) Foreign Banks, which is having their head quarter in out of the country. Example: Bank of Nova Scotia, Standard Chartered Bank, HSBC, Citi Bank. 4) Cooperative banks which is having majority stake from their members. Example Coimbatore District Central Cooperative Bank Limited, Erode Urban Cooperative Bank Limited etc. 5) Regional Rural Banks like Pallavan Grama Bank and Pandiyan Grama Bank.

Banks are one of the most important parts of any country. In this modern time money is very essential one. A developed financial system of the country ensures to attain development. A modern bank provides valuable services to a country. To attain development there should be a good developed financial system to support not only the economic but also the society. So, a modern bank plays a vital role in the socio-economic matters of the country.

Normally bank can open the savings bank account, current account, overdraft account, cash credit account for their customers. In this account, customer their deposit their money with the banks and whenever they require money for their expensed or business, they will get again.

Bank can mobilize the fund through recurring deposit and term deposit. Then this amount will be funded to the required customers by the way of personal loan and other loans.

Banks' functions are that, it plays vital role between any countries. So, the money transaction should be user friendly. A modern bank helps its customers to send their funds to any account in anywhere in the same country or other countries. Internet banking is very good example for it.

Banks' role and responsibilities in details:

Banks render many valuable services. It provides banking services to business men and consumers through a network of branches. These banks are in business to make a profit. They are doing Savings account is an interest yielding account. Deposits in savings account are used for saving money. Savings bank account-holder is required to maintain a minimum balance in his account to avail of cheque facilities.

Fixed or term deposits are used by the customers to save money for a specific period, ranging from 7 days to 3 years or more. The rate of interest is related to the period of deposit. For example, a fixed deposit with a maturity period of 3 years will give a higher rate of return than a deposit with a maturity period of 1 year. But money cannot be usually withdrawn before the due date. Some banks also impose penalty if the fixed deposits are withdrawn before the due date. However, the customer can obtain a loan from the bank against the fixed deposit receipt.

Banks should keep a certain portion of their deposits as legal reserves. The balance is used to make loans and advances to the customers. Individuals and firms can borrow this money and banks make profits by charging interest on these loans. Banks make various types of loans like Loan to a person or to a firm against some collateral security, Cash credit (loan in instalments against certain security), Overdraft facilities (i.e. allowing the customers to withdraw more money than what their deposits permit). They can give the standing instruction to the banks to accept or make payments on behalf of them. The relationship between the banker and customer is that of Principal and Agent. Some agency services are being done by bankers like paying insurance premium, remitting telephone and mobile bills. Payments are obviously made from the customers' account. The banks may collect such receipts on behalf of the customer.

The bank collects cheques, drafts, and bills on behalf of the customer. They can exchange domestic currency for foreign currencies as per the regulations. They can act as trustees / executors to their customers. For example, banks can execute the will after the death of their clients, if so instructed by the latter. Banks provide some other good utility services to their customers. Some of these services are Safeguarding money and valuables and customer can feel safe and secured by depositing their money and valuables in the safe custody of banks. Many banks look after valuable documents like house deeds and property, and jewel items. They transfer money from their account to other account based on customer request. In the same way, banks collect funds of their customers from other banks and credit the same in the customer's account.

As a merchant banker, banks provide merchant banking services to the investors and the firms. The merchant banking activity covers project advisory services and loan syndication, corporate advisory services such as advice on mergers and acquisitions, equity valuation, disinvestment, identification of joint venture partners and so on. They provide service like Automatic Teller Machines (ATM). These machines are being used for quick withdrawal of cash and we need not go the bank for withdrawing money. Another one importance activity

is traveller cheque. This cheque is printed for the specific amount. This cheque may be purchased by a person from the bank after making the necessary payments. The customer may carry this cheque while travelling. The traveller's cheques are accepted in banks, hotels and other establishments.

Credit Card is another one great service of the bank. It is being used for making payments. The Visa and Master Cards are operated by the banks. A person can use a credit card to withdraw cash from ATMs as well as make payments to trade establishments. The role of banks in economic development rests chiefly on their role as financial intermediaries. In this capacity, commercial banks help drive the flow of investment capital throughout the marketplace. The mechanism of this capital allocation in the economy is through the lending process which helps banks. One of the most significant roles of banks in economic development is as arbiters of risk. For instance, when individuals apply to borrow money from a bank, the bank examines the borrower's finances, including income, credit score and debt level, among other factors. The outcome of this analysis helps the bank gauge the likelihood of borrower default.

By weeding out risky borrowers, banks lessen the risk of financial losses. Banks also finance business lending in a variety of ways. A business man may solicit a loan to finance the start-up costs of a small business. Once funded, the small business may begin operations and embark on a growth plan. The aggregate effect of small business activity generates a significant portion of employment around the country. Banks also support the role of the federal government as an agent of economic Development. Generally, banks help fund government spending by purchasing bonds issued by The Department of the Treasury. Both long and short-term treasury bonds help finance government Operations, programs and support deficit spending.

CONCLUSION:

Banks are mobilizing the deposits for their business and they are proving loan based on this amount to their customers. Normally fixed or term deposit and recurring deposit is very importance one for the banking business.

They are doing more account for the customers like savings bank account, current account, Cash credit account, Overdraft account etc.

Their role for economic development is very much required. Without bankers' contribution, this is not possible.

They are doing more agency service to their customer like paying of telephone bill, mobile bill to the vendor instead of the customers but amount will be paid through their credit card then we need to pay to this card account.

Banks are categorized like public sector bank, private sector bank, foreign bank, cooperative bank and regional rural banks.

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