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Bank Management system

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Abstract
A bank is a financial institution which accepts deposits, pays interest on pre-defined rates, clears checks, makes loans, and often acts as an intermediary in financial transactions. It also provides other financial services to its customers. Bank management governs various concerns associated with bank in order to maximize profits. The concerns broadly include liquidity management, asset management, liability management and capital management.

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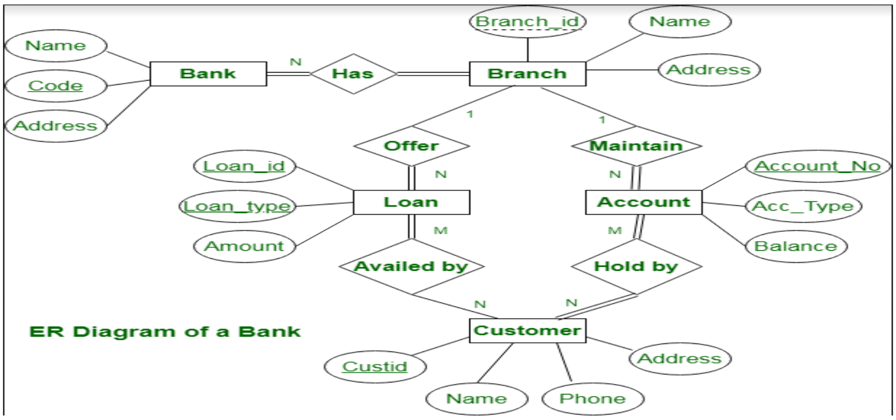
I. INTRODUCTION

Origin of Banks:

The origin of bank or banking activities can be traced to the Roman empire during the Babylonian period. It was being practiced on a very small scale as compared to modern day banking and frame work was not systematic. Modern banks deal with banking activities on a larger scale and abide by the rules made by the government. The government plays a crucial role with its control over the banking system. This calls for bank management, which further ensures quality service to customers and a win-win situation between the customer, the banks and the government.



II. Scheduled & Non-Scheduled Banks:

Scheduled and non-scheduled banks are categorized by the criteria or eligibility setup by the governing authority of a particular region. The following are the basic differences between scheduled and nonscheduled banks in the Indian banking perspective.

Scheduled banks are those that have paid-up capital and deposits of an aggregate value of not less than rupees five lakhs in the Reserve Bank of India. All their banking businesses are carried out in India. Most of the banks in India fall in the scheduled bank category.

Non-scheduled banks are the banks with reserve capital of less than five lakh rupees. There are very few banks that fall in this category.

Evolution of Banks:

Banking system has evolved from barbaric banking where commodities were loaned to modern day banking system, which caters to a range of financial services. The evolution of banking system was gradual with growth in each and every aspect of banking. Some of the major changes which took place are as follows −

- Barter system replaced by money which made transaction uniform
- Uniform laws were setup to increase public trust
- Centralized banks were setup to govern other banks

- Book keeping was evolved from papers to digital format with the introduction of computers
- ATMs were setup for easier withdrawal of funds

- **Internet banking came into existence with development of internet**

Banking system has witnessed unprecedented growth and will be undergoing it in future too with the advancement in technology.

Commercial Bank

A commercial bank is a type of financial institution that provides services like accepting deposits, making business loans, and offering basic investment products. The term commercial bank can also refer to a bank, or a division of a large bank, which precisely deals with deposits and loan services provided to corporations or large or middle-sized enterprises as opposed to individual members of the public or small enterprises. For example, Retail banking, or Merchant banks.

A commercial bank can also be defined as a financial institution that is licensed by law to accept money from different enterprises as well as individuals and lend money to them. These banks are open to the mass and assist individuals, institutions, and enterprises. Basically, a commercial bank is the type of bank people tend to use regularly. They are formulated by federal and state laws on the basis of the coordination and the services they provide.

These banks are controlled by the Federal Reserve System. A commercial bank is licensed to assist the following functions −

❖ Accept deposits − Receiving money from individuals and enterprises known as depositors.

❖ Dispense payments − Making payments according to the convenience of the depositors. For example, honoring a check.

❖ Collections − Bank plays as an agent to collect funds from another banks receivable to the depositor. For example, when someone pays through check drawn on an account from a different bank.

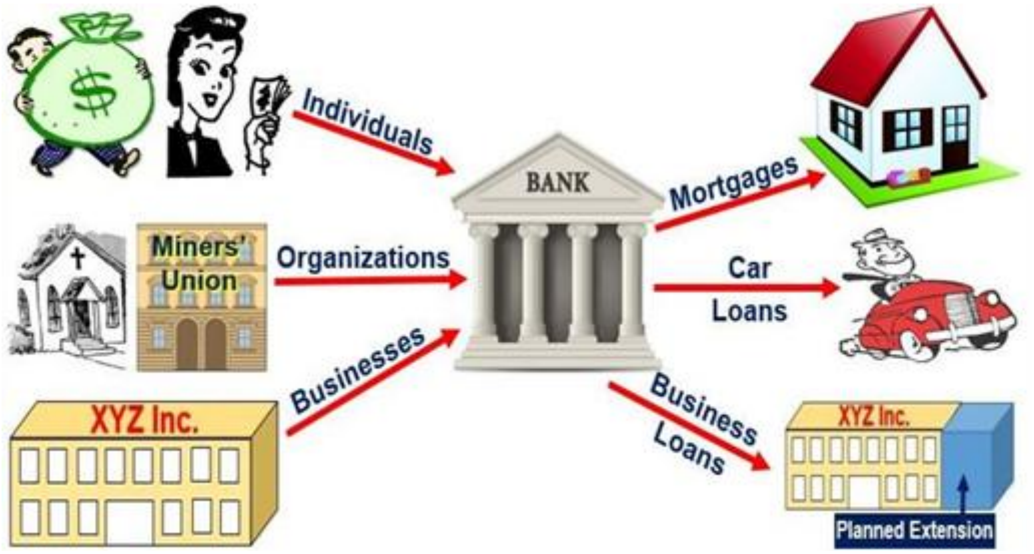
❖ Invest funds − Contributing or spending money in securities for making more money. For example, mutual funds.

❖ Safeguard money − A bank is regarded as a safe place to store wealth including jewelry and other assets.

❖ Maintain savings − The money of the depositors is maintained, and the accounts are checked and on a regular basis.

❖ Maintain custodial accounts − These accounts are maintained under the supervision of one person but are actually for the benefit of another person.

❖ Lend money − Lending money to companies, depositors in case of some emergency.



Commercial banks are apparently the largest source of financing for private capital investment in a nation, especially, like India. A capital investment can be defined as the purchase of a property with the purpose of either producing income from the property, increasing the value of the property over time, or both. Similar capital purchases made by enterprises may involve things like plants, tools and equipment.

Thus, any commercial, cooperative, nationalized, foreign bank and any other banking foundation that accepts and satisfies these set conditions are termed as scheduled banks but not all schedule banks are commercial banks.

The scheduled commercial banks are those banks which are accept deposits, lend loans and also offer other banking services. The major difference between scheduled commercial banks and scheduled cooperative banks is their holding pattern. Scheduled banks are further categorized as −

III. Private-sector banks

Private sector banks are those banks, where private individuals or private companies own a major part of the bank's equity. Even though these banks follow the nation's central bank's guidelines, but they can formulate their independent financial strategy for the customers. A large part of these banks are traded on the stock market and anyone can buy a significant part of these bank's shares from the stock market. Most private sector banks are very agile in their financial strategy. These privates can make a quick financial decision according to the market condition. For this reason, interest rates fluctuate quickly on both deposits and loans. They offer very reliable services to the customers. They also offer various customized services to the customer to fulfil their individual financial needs. There is no job security in private banks. Most employees work very hard to satisfy the customer's financial requirements. In these banks, the employees get promotions on their merit and performance.

Many people believe private sector banks are the best. In their opinion, more banks should take the approach of private sector banks and make the banking system more robust for the public. Here are some advantages that are associated with private sector banks.

1. Private Sector Banks offer quick service to the customers.
2. These banks also offer customized services according to the customer's financial needs.
3. Private Sector Banks has a streamlined management system.
4. Quick financial decision making is possible in private sector banks.

IV. Public sector banks

Public sector banks are those banks where the government holds more than 50% ownership. With these banks, the government regulates the financial guidelines. Because of government ownership, most depositors believe that their money is more secured in public sector banks. As a result, most public sector banks have a large customer base.

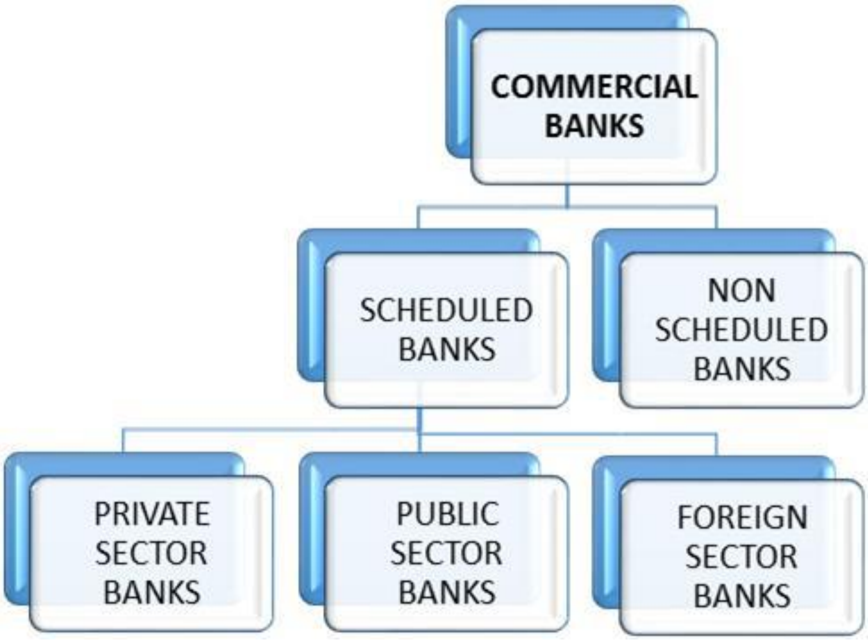
public sector banks offer less customized service to customers. As a result, Customer complaint due to poor service is very common in public sector banks. However, public sector banks offer more interest rate to the customer. Customers can also get different loans with a small interest rate.

Multiple advantages are associated with using public sector banks. For this reason, these banks have millions of customers. Here are some advantages customers get from public sector banks.

1. High-interest rate on deposits
2. Low-interest charge on loans
3. Employees get full job security
4. These employees also get a pension after retirement
5. Offer service to a large customer base
6. Offer their service to the rural part of the nation
7. Offer financial service through multiple branches

V. Foreign sector banks

A foreign bank branch is a type of foreign bank that is obligated to follow the regulations of both the home and host countries. Because the foreign bank branch has loan limits based on the total bank capital, they can provide more loans than subsidiary banks.



Acceptance of Deposits

The most important task of commercial banks is to accept deposits from the public. Banks maintain and keep records of all the demand deposit accounts of their customers and transform the deposit money into cash, vice versa is also possible as per the requirements of the customers. Technically, demand deposits are accepted in current accounts. The depositor can withdraw deposited money anytime by means of checks.

In fixed deposit accounts, the depositor can withdraw the money deposited only after a certain period. We can say, fixed deposits are time liabilities of the banks. Deposits in the saving bank accounts are subjected to certain limitations regarding the amount one can receive and withdraw. In this way, banks collect savings from people and maintain a reserve of these savings.

Giving Loans and Advances

One of the most important functions of commercial banks is to extend loans and advances out of the money through deposits of businessmen and entrepreneurs against permitted securities and safety like gold or silver bullion, government securities, easily saleable stocks and shares and marketable goods.

Banks give advances to customers or depositors through overdrafts, discounting bills, money-at-call and short notice, loans and advances, different forms of direct loans to traders and producers.

VI. Conclusion

The bank management system is a set of essential tools and processes that allow banks and their credit institutions to carry out their functions. The components of the bank management system may differ depending on the bank, but generally, the system includes core banking to manage basic transactions, loans, mortgages, and payments accessible via ATM, mobile banking, and branches. A bank is a financial institution that is licensed to accept checking and savings deposits and make loans. Banks also provide related services such as individual retirement accounts (IRAs), certificates of deposit (CDs), currency exchange, and safe deposit boxes.

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