

DIFFERENCE BETWEEN CENTRAL BANK & COMMERCIAL BANKS:

Following are the point of difference between central bank and commercial bank.
CENTRAL BANK.

1. Ownership.

Central banks are usually owned the by state and they have mixed ownership. In Pakistan also, Central bank is owned by state.

COMMERCIAL BANK.

Commercial Bank usually owned by private companies.

2. Authority.

Central bank is the supreme bank of the country.

Commercial bank is subordinate to central. They work under its guidance.

3. Note Issue Power.

Central bank has the power of note issuance.

Commercial banks can't issue notes.

4. Governing Act.

Usually the laws governing central bank are different from that which governs commercial banks. In Pakistan SPB is governed by SBP act 1956.

Commercial banks are governed by different law. In Pakistan Commercial banks work under company's ordinance 1984.

5. Profit Motive.

Central banks are not profit seeking institution. They work in general public welfare.

Commercial banks are driven by profit motives.

6. Relation ship with State.

Central banks hold direct relationship with state. It works as financial advisor and agent of government.

Commercial banks hold direct relationship with public. It has no direct relationship with state.

7. Rights & Powers.

Central bank has wide power and controlling authority that it can use to influence economic climate.

Commercial bank is not equipped with such powers.

8. Credit Control.

Central bank has a power to control credit.

Commercial banks are bound to obey central banks advice on credit control.

9. Lender of Last Resort.

Central bank acts as lender of last resort for commercial bank.

Commercial banks hold reserves with central bank so that it could help them in difficulty.

10. Dealings.

Central bank has no direct dealing with public.

Commercial banks deal directly with public.

11. International Institutions.

Central bank holds relations with international monetary institutions.

12. Foreign Exchange Reserves.

Central bank is responsible for maintaining the foreign exchange reserves of the country.

Commercial bank can only deal in foreign exchange according to the guidance of Central bank.