

## **DIFFERENT KINDS OF BANK**

**Commercial banks today perform variety of functions. They play the role everywhere in the economy. They have an extremely vast scope and scenario of their working and functions.**

**However banks can be classified in various types according to the areas of their functioning and performance.**

### **1. Central Bank:**

**The need of central banks was felt after the World War I in order to solve the problem of bank failures. Now almost all countries have their central banks working in the best national interest.**

**A central bank is an specialized institution, whole banking infrastructure, chalk out plans towards self-sufficiency and reducing foreign reliance and take measures to achieve full employment of country's productive & creative resources.**

### **2. Commercial Banks.**

**These are the ordinary banks that deal in money and credit. Infact, these are the financial intermediaries who borrow surplus fund form the public and channel them to productive uses. They are also engaged in the performance of agency and general utility functions as explained earlier.**

### **3. Industrial Banks:**

**Such banks perform the function of specialized credit providing institutions. They meet the credit and finance requirements of the industrial sector, such banks provide medium, short and long term loans to various industries. They provide finances for the setting up of new industrial units.**

**In Pakistan. Investment Corporation of Pakistan, Industrial Development Bank of Pakistan, (IDBP), and National Development Finance Corporation (NDFC) are the examples of such banks.**

### **4. Cooperative Banks:**

**The cooperative movement started in the sub-continent towards the end of 19<sup>th</sup> century.**

**Then afterwards it gained great importance in the economic uplift of the people living in rural areas.**

**Cooperative Banks are the banks that are setup by inhabit of the particular areas. The**

purpose behind this is to provide credit facilities to the residents of that area or to a particular class of People.

In Pakistan cooperative banks means a banking society registered cooperative society's act.1912.

#### **5. Agricultural Bank.**

These are the banks that are engaged in the financing of agriculture and rural sector. Agricultural banks mainly satisfy the credit needs of farmers and villagers. They also help in the growth of agro based, small scale and cottage industry. Such banks have the role object of promoting macro economic growth in the rural areas.

Agricultural Development Bank of Pakistan (ADBP) Federal Land Bank of USA is the examples of such kinds of bank.

#### **6. Savings Banks.**

Savings banks are established for the purpose of promoting savings have in the middle and working class of the economy. These banks help in the accumulation of the savings of the low income group. Ordinary commercial banks also provide the services like that of a saving bank.

The post office saving bank is an example of such a bank.

#### **7. Investment Bank:**

Investment bank is those which provide finances for the sale and purchase of stocks and shares. Their aim is to keep capital market alive and responsive. They also help in the under writing of shares and debentures of new companies.

Banker's Equity Limited (BEL), Investment Corporation of Pakistan (ICP) re-examples of such banks.

#### **8. Exchange Bank:**

Bank branches with their head offices abroad are called exchange banks. These banks have the primary function of dealing in foreign exchange; also these banks finance foreign trade. In addition to this, they also finance internal trade and thus play an important role in the economy.

At the time of partition, Pakistan has 7 exchange banks working here. Afterwards Chinese, German, Dutch and American Banks opened their branches here.

#### **9. Mortgage Bank:**

Mortgage banks provide finance against lands and buildings. The finances may be short, medium and long term. Such lands normally grants loan for the agricultural sector.

**In Pakistan we do not have any specialized mortgage bank. However House Building Finance Cooperation is doing the job similar to that of Mortgage bank.**

**The examples include Mortgage bank of Anotria, Mortgage bank of Spain etc.**

**According to the state Bank of Pakistan which have paid up capital reserves of at least Rs.5 million in Pakistan? Scheduled banks are the members of clearing house and they are managed and controlled by State bank of Pakistan.**

**Non-schedule banks are those which are not included in the 2nd Schedule of the State Bank of Pakistan Act 1956. The minimum limit of their paid up capital is Rs.50, 000 and the maximum limit is Rs.5 million.**