

PROJECT WORK

S.CH.V.P.M RAJU GOVT DEGREE COLLEGE

GANAPAVARAM-534198



DEPARTMENT OF COMMERCE

2019 TO 2022

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PROJECT NAME - : CENTRAL BANKING AND COMMERCIAL BANKING

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DEPARTMENT OF COMMERCE



PROJECT NAME : Central Bank and Commercial Bank

CERTIFICATE

This is to certify that G. Madhu..... of class B.Com (Gen) has successfully completed his/her project on topic Central Bank and Commercial Bank as prescribed by Mr. P. Babu Manikanta..... during the academic year.... 2022..... as per the guidelines given by Head of the department

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Lecturer's name

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PROJECT WORK

CENTRAL BANK

vs

COMMERCIAL BANK

Index

Topic Names	S.No
1. Differences Between Central Bank and Commercial Banks in India.	0-1
2. What are Central Banks?	2-4
3. Contents of Central Bank vs Commercial Bank	4
4. Comparison Chart	5-7
5. Definitions	7-11
6. Different Types of Banks in India.	12
7. Key Differences	13-14
8. Features of Central Banks	15
9. Role of Central Banks in the Economy	16-18
10. Special Features of Commercial Banks.	18-19
11. Role of Commercial Banks in the Economy	20-22
12. Differences Between Central Banks and Commercial Banks.	22-25
13. Conclusion	26.

Central Banks v/s Commercial Banks.

Difference Between Central Bank and Commercial Banks in India

In any country's financial sector, banks play a crucial role in the overall economic development, by mobilizing savings of individuals and entities. They act as an intermediary amidst depositor and borrower.



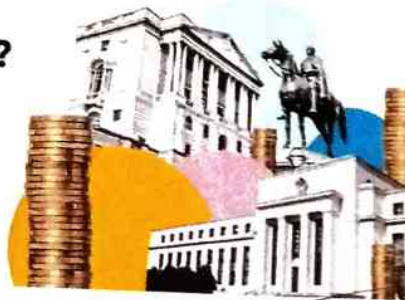
Besides lending money, banks provide various other value added services, that help in the smooth functioning of the economy.

What are Central banks?

The Central bank, as the name suggest is the apex body, that regulates the entire banking system of the economy.

**What are
central banks?**

 finimize.



The Central bank is not exactly same as a Commercial bank, which is the financial institution that provides banking services

to individuals and firms. There is a big difference between central bank and commercial bank in india, in the sense that the former is the top financial institution in the country, whereas the latter is an agent of the Central Bank.

Check out the article in which we have compiled some differences in tabular form.

A central bank is a public institution that manages the currency of a country or group of countries and controls the money supply - literally, the amount of money in circulation. The main objective of many central banks is price stability. In some countries,

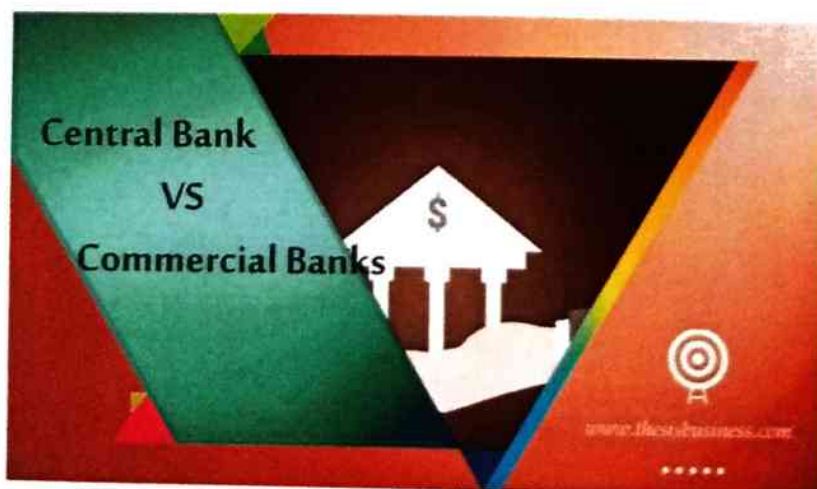
Central banks are also required by law to act in support of full employment.

Contents of Central Bank v/s Commercial Bank:-

1. Comparison Chart.
2. Definition
3. Key Differences
4. Features of Central Banks
5. Role of Central Banks in the Economy
6. Special Features of Commercial Banks.
7. Role of Commercial Banks in the Economy.
8. Differences between Central Banks and Commercial Banks.
9. Conclusion.

1. Comparison Chart

Basis for Comparison	Central Bank	Commercial Bank
Meaning	The bank which looks after the monetary system of the country is known as Central Bank.	The establishment, which provides banking services to the public is known as Commercial Bank.
What is it?	It is a banker to the banks and the government of the country.	It is the banker to the citizens of the nation.
Governing Statute	Reserve Bank of India Act, 1934.	Banking Regulation Act, 1949.
Ownership	Public	Public & Private.



ECOTALK

Central Bank Vs Commercial Bank

1) Place in Banking System

It is the apex bank in the country which controls all the banks.

It is a part of banking system and works under control of central bank.

Profit motive	It does not exist for making profit for its owners.	It exist for making profit for its owners.
Monetary Authority	It is the Supreme monetary authority with wide powers.	No such authority.
Objective	Public welfare and economic development.	Earning Profits.
Money Supply.	Ultimate source of money supply in the economy.	No such function is performed by it.
Right to print and issue currency notes.	Yes	No
Deals with	Banks and Governments	General Public

How many banks are there?	only one	Many.
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2.1 Definitions :-

Definition of Central Bank :-

Central Bank is the supreme financial institution that regulates the banking and monetary system of the country. It is formed to bring monetary stability, issue notes and maintain the value of a country's currency in the international market. It administers the currency and credit system of the nation.

In India, the Reserve Bank of India plays the role of a central bank, which came into existence, after passing an act parliament in 1934. The bank is headquartered in Mumbai, Maharashtra.

The following are the main functions of Central Bank.

CENTRAL BANK

Values and Beneficiaries of the Central Bank



Functions of Central Bank:-

- It is authorized to issue currency notes except coins and notes of small magnitude.
- It has the power to control, direct and supervise the commercial banks. It also helps them at the time of need.
- It employs various measures to control the credit operations of the commercial banks.
- It is the banker and advisor to the government of the country.
- It acts as a manager of foreign exchange reserves.

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- It collects and publishes the information relating to banking and financial sector.
- It oversees the credit and monetary policy of the nation.

Definition of Commercial Banks

The entities that provide banking and financial services to large number of people are known as Commercial Banks. They act as a mediator between the borrowers and services of savers.



The Commercial Banks receive deposits from the general public and lend it at high interest to the individuals and organizations. In this way, the mobilization of savings takes place, and the economic cycle goes on smoothly.

Functions of Commercial Banks :-

- * It accepts deposits from the general public, firms, institutions and organizations. Further, it gives the facility to withdraw money on demand.
- * Banks pay interest on deposits at various rates on different deposits.
- * It lends money to public, institutions, and organizations in the form of long term and short term loans for a period.

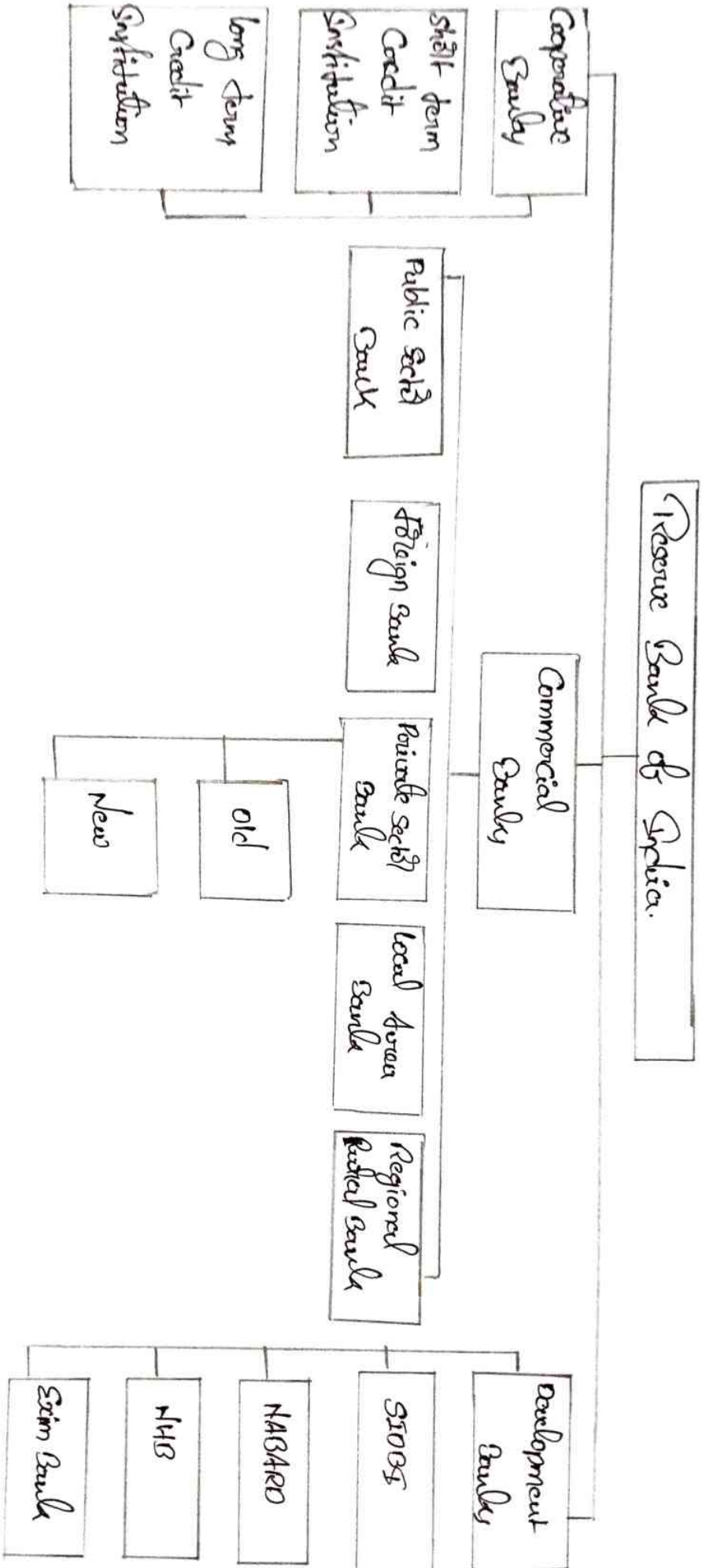
- * Moreover, it provides overdraft and Cash Credit facilities to the Customer.
- * It performs agency functions like collections of bills of exchange and promissory notes, trading of shares and debentures, payment to third parties on standing instructions of the Customer, etc.,
- * It provides the facility of safe keeping of valuables like jewelry and documents.
- * It provides the facility of ATM Card, Debit Card, Credit Card, Cheques etc., to its account holders.



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Different Types of Banks in India.



3. Key Differences:

Key Differences Between Central Bank and Commercial Bank:

The following are the differences between Central bank and Commercial bank.

1. The bank, which monitors, regulates and controls the financial system of the economy is known as Central Bank.
2. The financial institution which receives the deposits from people and advances them money is known as Commercial Bank.
3. The Central Bank is the Supreme monetary authority of the Country.
4. As against this, the Commercial bank does not have such authority and power.

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4. As against this, the Commercial bank does not have such authority and power.

5. The Central Bank of India, the reserve bank of India is governed by RBI Act, 1934.
6. Conversely, the Commercial banks are regulated by the Banking Regulation Act, 1949.
7. The Central Bank is a publicly owned institution while the Commercial Bank can be publicly or privately owned institution.
8. The Central Bank does not exist for making a profit, whereas Commercial bank operates for making a profit for its owners.



4. Features of Central Banks

Every Central bank has a certain set of features, which makes it different from the others. The features are as follows.

First and foremost, the Central bank must have a strong and stable economic policy. It must be able to keep track of the economic growth of that particular country at all times.

Secondly, a Central bank must provide inflation-free money and should maintain a low inflation rate at all times. Also, this institution should improve the pay structure of its employees.

Lastly, a Central bank should be in contact with the international banking community and it should take part in making policies through Treasury Securities auctions as well as bond sales.

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5. Role of Central Banks in the Economy

Along with monetary and banking policies, the central bank of any country also plays an important role in the economic growth and development of the particular country. Here are some important roles of a central bank in the economy.



First and foremost, it must play an important role in providing money supply to the economy at all times.

5. Role of Central Banks in the Economy

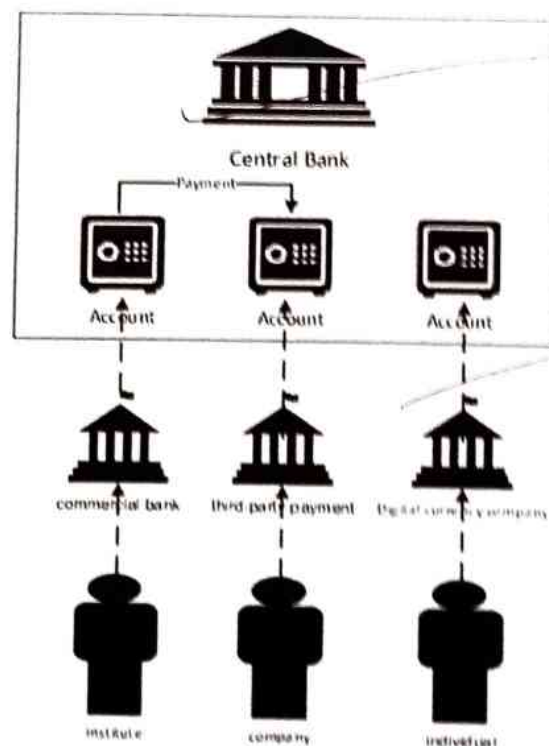
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First and foremost, it must play an important role in providing money supply to the economy at all times.

Secondly, it must keep records of economic indicators, like exchange rate, gross domestic product (GDP), etc on a regular basis so that it can take necessary actions to improve these measures.

Thirdly, a central bank must always maintain an optimum level of liquidity so that banks can provide credit facilities to their customers all times.



Commercial Banks

The main objective of a Commercial bank is to provide financial services to the general public. The main clients of Commercial banks are small and medium industries, agriculture, households, and business. Commercial banks also play an important role in the safe custody of bank deposits.

6. Special Features of Commercial Banks

First, Commercial banks must maintain a low rate of inflation at all times. Also, it should be capable of following prudent economic policies and maintaining an adequate level of reserves in its vault.

Secondly, a Commercial bank should always look to improve the work structure of its employees. Last but not least, a Commercial bank should be capable of investing in the fund which is available in its vault at better rates.

Lastly, a Commercial bank should maintain steady contact with other Central banks of other Countries in order to improve its monetary policies.

Functions of Commercial Banks

Economic s guruji



1. Accepting Deposits



2. Providing Credit Facilities



3. Payment and Withdrawal Facilities



4. Credit Creation



9. Other Services



8. Safe Custody



7. References

6. Agency and Utility Services



5. Inter-Banking Transactions



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7. Role of Commercial Banks in the Economy

It is very important to note that the Commercial bank plays a great role in the economy of a particular country. These banks provide financial services to their customers in all fields and they should not waste the financial resources which come from their banks.

1. Financial Services

It provides necessary financial services with proper regulation as well as management. It helps to provide cash for lending and other business activities, which are being performed by the general public.

2. Safe Custody †

Commercial banks are known for depositing and safekeeping of cash and deposit money. This institution must be able to properly keep and store all the money deposited by the general public in its vault.

3. Other Financial Services †

Commercial banks offers many other financial services such as payment of salaries, business loans, etc., this plays an important role in the economic growth of a particular country.

IMPORTANCE OF BANK

Enter your sub headline here



4. Keep track of their clients

Commercial banks are known for developing their own database and database management systems.

Banks take strict concern about the development of database systems and hiring trained staff for his purpose.

8. Differences between Central Bank and

Commercial Bank

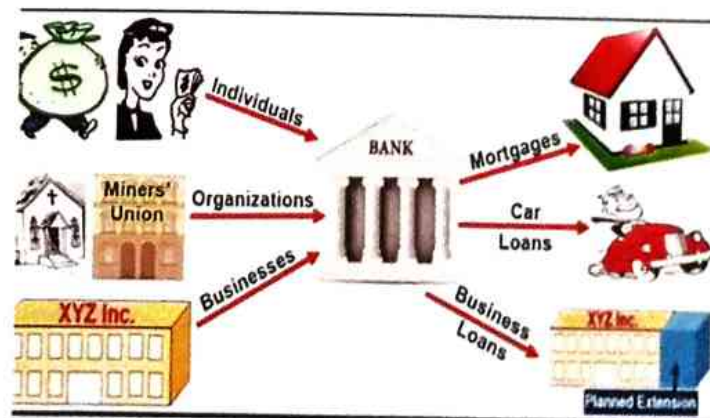
1. The Central Bank is the main banker to Commercial banks while Commercial banks serve the general public.
2. The Central Bank has the responsibility of controlling inflation all the time while Commercial banks don't have any such responsibility.

3. A central bank has much larger authority and its responsibilities are much higher than those of a commercial bank.
4. Both the institutions play an important role in the economic development of a particular country providing various financial services to the people of that country.

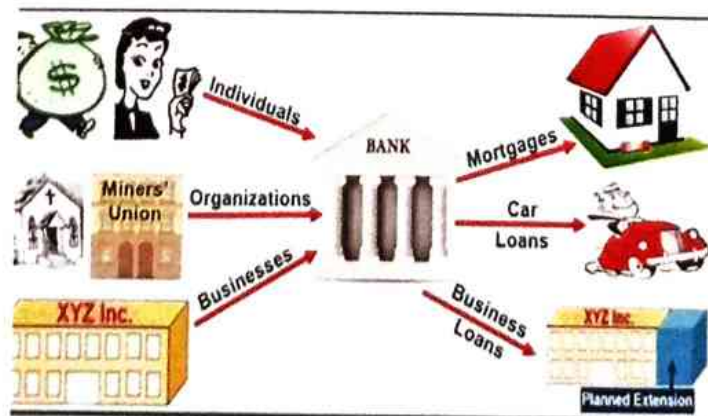


5. The Central bank provides money supply to the overall economy and the Commercial bank plays a significant role in the safe custody of deposits deposited by the Common public into its own vaults.
6. On the other hand, the Commercial bank has much smaller authority and responsibility.
7. A Central bank all the time always has its own main goal of maintaining economic growth and providing monetary stability to the country's economy.
8. Commercial banks are more focussed on providing financial services to the general public.
9. Also, a Commercial bank cannot play an important role in the economic growth, stability.

10. and development of particular Country in the same way a central bank plays its role.
11. Central banks have a crucial role to play in all monetary policies. On the other hand, Commercial banks don't provide any such services.
12. They are not supposed to take part in making policies for the development of the different Countries. That's why the role of both institutions are different from each other.



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9. Conclusion

The Central Bank is the leading public financial institution that governs the entire banking system in the country. It has full control over all the commercial banks in the country. The Central Bank regulates the flow of money in the economy. The apex bank adopts various measures like cash reserve ratio, statutory liquidity ratio, bank rate, repo rate, reverse repo rate, etc. to control the supply of money.

PROJECT WORK

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