

## The Role of Bank in developing Economic Countries

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Available online at: [www.xournals.com](http://www.xournals.com)

Received 16<sup>th</sup> September 2018 | Revised 11<sup>th</sup> October 2018 | Accepted 22<sup>th</sup> December 2018

### Abstract:

*Bank play a very significant role in monetary growth of country in modern's economy system. Bank gather the extra saving of individual and allow them accessible for the purpose of investment. It also generate new request payments in development of permitting purchasing investment and loans to refuges and simplify trade in outside and inside country. According to RBI, the investment sector of India remains appropriately well-regulated and capitalized. In harmony with Reserve Bank of India Act 1934, RBI was well-known in year 1935. This bank is the central bank of India that is trusted with the multi-dimensional role. Reserve Bank of India was a private shareholder's company which was nationalized in 1949. The central bank arranged in standard support to 10 small finance bank and 11 payments banks in 2015-16 in the month February. RBI's recent procedures may go an elongated in mode of helping the rearrangement of the local banking industry. In present study, discuss about the banks role in economic developing countries.*

**Keywords:** Reserve Bank, Deposit, Economic Development, Capitalized

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## Introduction

Bank is considered as play one of the significant and important part in the overall evolution and growth of both the economic and monetary aspect of the country. It include numerous functions such as lending loans, accepting deposits, saves large amount of money safely etc. Bank is helpful in dealing with the issues of money in both the urban and rural places. The public deposit the cash and also burrow money from different sources for the purpose of raising Working Capital Funds and with the interest and related aspects they pay cost on raised funds. For the purpose of recovering this amount of cost and to fulfil administrative and other related expenses for manner of gaining profit and making investment, the banks have to concern with the working capital funds. It is very difficult of any country and its development when there is no effective banking system. The funds provided are helpful in giving loans to the industries and hence making useful investments. As per the fact, India is not only considered as chief self-governing republic but concern as well with the enormous economic development. Conferring to the KPMG Confederation of Indian Industry (CII) joint report, in India, the banking sector is measured to form the 5<sup>th</sup> largest by the year 2020. It is also seen that 17% growth rate is increase at a compound annual in coming year that is stated by reporter. This basically shown an important impact on the banking area after the post economic globalization and liberalization.

General Bank of India is considered as the first bank which was recognized in the year 1786 and the State Bank of India stated as oldest bank which exist in India and considered as the biggest commercial and profitable bank in the nation. The bank in 1935, named Reserve Bank of India after the independence was nationalized. As per as the system of Indian Bank, it include 25 private sectors, 26 public sectors, 1589 urban banks, 93,550 rural cooperative banks, 43 foreign banks and also consist of 56 regional rural banks. In the continuation, it also consist of cooperative credit institutions. Mostly market i.e. approx. 80% are basically prevented by the banks of public-sector and hence revealing very less shares for its private nobles. With the help of mobile phone technology, the banks are promising their customers to accomplish their funds. The banking sector in India, the growth of credit would recover to approximately 11 to 13% in the month of February and decreases almost 10% in the second half of CY14.

In present time, the banks are diversified from their functions and promoting new structure or schemes which consist of customer money, life insurance, common insurance, credit cards opportunities, mutual funds services and investment banking. Also in India, the banking sector is becoming the biggest service sector and hence it focused to switch towards the customer acquisition to customer retention. It is helpful while providing with the ATM services, electronic payment, internet banking etc. Overall, banks are helpful in giving the best contribution towards monetary development in numerous different techniques:

### Eliminating absence of formation of capital

The financial development is not easy without an acceptable amount of capital formation in any economy. By banks, serious capital absence in developing countries is detached. The role of system of sound banking organizes small investments of the community and also available for dealing with the productive enterprises. Banks are also helpful in organizing the offer at the smart rates of interest and transform saving into active capital. Banks distributed this saving through finances among industrious enterprises that are useful in building nation and which is enables the finest employment of the monetary means of the public.

### Supports in producing opportunity of employment

Banks are provided with economic resources to industries and help in inevitably generate service opportunity. By banking sector, employment generated in each year in million and income group over tax and disbursement collection by government invested each year. While employment and revenue generation have two important influences that is positively preserving healthy credit line to industrial sector and overall budget is another significant influence of commercial sector.

### Financial assistance to Industries

In a number of ways, commercial banks finance exist in industrial sector which provide loans to industry in short, long and medium term. To business sector, Industrial Development Bank of India (IDBI) is the chief organization in India that provided the monetary support. It basically concerned with direct economic support to trade enterprise in manner of loans permitting and purchase or funding the stock issues and debentures. IDBI have special Development Assistance Fund that is created and

this Fund which is utilized for help to those businesses which are not capable enough to gain reserves mostly for the reason that heavy asset elaborate or less probable rate of returns. IDBI provides direction to initiate the business and facilitates a simple contact to funding by Micro and Minor Enterprise, Government/RBI has hurred Credit Guarantee Fund Scheme to deliver assurance protection for security free credit services stretched to MSEs upto Rs1 Crore.

#### Encourage saving Behaviors of the individuals

Banks fascinate investors by introducing deposit new scheme and giving advanced interest rate and also given that the diverse varieties of credit schemes to its consumers due to which habitat people produce equivalent accounts. Banks exposed different accounts to entice customers and the accounts are opened with the necessities of clients like saving account, recurring account, and current account and fixed deposit account etc.

#### Monetary support to Customer Events

Peoples exist under developing countries being poor and having low income rates due to which they don't contain enough monetary resources to purchase robust customer belongings. Customers are purchasing such items as houses, furniture, refrigerators, etc. by taking the advance loans from commercial banks due to which customers raising the standard of existing in emerging countries.

#### Helps in implementing Monetary Policy

With applying the economic policy of RBI, commercial banks support monetary development of country. RBI focused on profitable banks for achievement of its plan of economic administration in considering with necessity of a developing economy. With permitting agriculture loans and trade and industry as well as by helping in capital development and by ensuing the economic plan of the country, profitable banks give much more towards the progress of an emerging economy.

#### Monetary services for Trade

The commercial banks support in financial point of view in both external and internal trade. Banks helpful in providing the loans to wholesaler and retailer for the purpose to purchase the good things in which they provide and help in effort of things with one location to other. The banks are helpful in

providing numerous kinds of facilities like giving overdraft facilities, accepting bills of exchange, discounting bills of exchange, issue of draft and many more for encouraging the trade. The bank provide foreign exchange facilities to traders and exporters of goods by finance both exports and imports of developing countries. Exim Bank of India and Government of Andhra Pradesh has contracted Memorandum of Understanding (MoU) to encourage exports.

#### Foreign Currency Loans

For consideration of new industrial projects which reflect meaning of taking foreign currency loans. Banks also utilize in giving loans for development, renovation change, and modernization of known units. It is helpful in funding ingress of apparatus from outside India and practical experience.

#### Advancement of New Capitalists

With bank development in India, it provide the success by generating a new course of businesspersons and distribution of industrial culture. To deliver the justice type of support to technically and skilled entrepreneurs who don't have their own monetary resources by special capital and seed Capital schemes. These growth have been positively elaborate in the free enterprise program of development. For economic development, revolutions are considered as requirement and are mostly funded by bank credit in most of countries with high development rate. In case of undeveloped nations, industries are lacking to spend in new undertakings and embark on innovations highly due to absence of funds and major probability of threat. The facilities provided by bank loans allow the entrepreneurs to initiate their investment on different activities. It also favor new methods of invention and increment in industrious ability of economy.

#### Well-adjusted Growth

The contemporary banks scattering the operation all over the world like Punjab National Bank, citi bank, Baroda bank, State Bank of India etc. and it supports the country to established or extent activities in urban and rural areas. It aids to accomplish stable area growth by helping rural areas with the distribution of banking operations to all over nation. In rural and urban areas, expanding access to financial services that is RBI arranged principle licenses to around 10 applicants for the purpose of opening small finance banks. The developed banks

transfer extra capital from developed regions to the less developed one, where it is infrequent and much more desirable as well.

### Government Spending

All banks are needed the plays significant the part of central government as a mediator of monetary. The profitable banks are usually helps to savings account government earnings by gaining bonds delivered by the Department of the Treasury. Both short and long term Treasury bonds helpful in financing government operations, plans and funding discrepancy expenditure.

### Review of Literature

**Epstein 2006**, stated that central banks have funded governments that utilizes methods of allocation and aids to involve in 'sectoral policy' and tried to accomplish the foreign exchange, a lot with exchange and capital controls of various types. Central banks are most effective and developed in facilitating to foster development in 'late developers' where they have been connected with governmental device of industrial policy.

**Abubakar and Gani 2013**, this study based on the Vector Error Correction Modelling (VECM) which method to mixed up to discover the active bonds between monetary development in Nigerian banking sector and growth. Which result was come that reveal the praise to government, private spending and rate of interest spread put forth undesirable impact on growth in further process. The banks also inspire to provide entire economy as in contradiction of favoring some certain segments and government should exclude too much shortage and using from the isolated sector that are proved as thronging out isolated security.

**Petkovski and Kjosevski 2014**, discussed about in South and Central Eastern Europe during the period from 1991 to 2011, examine investment sector that contribute to economic growth by supporting GMM dynamic panel method and endogenous growth model. To quantify the level of banking sector by using three variables that is ratio of quasi money (RQM), quantity of bank recognition apportioned to isolated sector as a portion of gross domestic product and concern rate boundary. The huge stock of investment crises and non-performing loans knowledgeable by related economics at opening of transition period i.e. 2008 and 2010.

**Rao 2014**, dictated the requirement of continuous origination in retail investment and also now essential to utilize retail for growth generator. This entails both differentiation and development of product, business and innovation process, marketing, reengineering, prudent pricing micro-planning, customization, cost reduction and cross-selling technological up gradation, home / electronic / mobile banking. The technology is helpful in proper productivity of operations and also support in required competitive advantage for the purpose of profit in retail banking business.

**Yakkaldevi et.al 2014**, concluded that banking sector is honestly established in term of source, creation range and spread in India. According remote sector and external banks that are connected to spread in rural India still relics a task. A proper functioning national capital market is majorly important for the financial transactions subdivision to increase development plus capital and at the same time contain appropriate ratio to moderate the threat. The investment of bank are delivering and representing a developing trend as well.

**Khan 2015**, concluded that this study play a role of research and development in economic growth of countries around the world that is agree on significant role of different from research and development in productivity or economic growth. It is concluded that developing countries should concentrate on research and development to achieve the sustained economic growth.

**Iqbal and Sami 2017**, concluded that banks play an important role as work a consideration of investments and allocators of credit for assembly and asset in developing economies like India. Banks contribute to monetary development of nation as financial transitional by recognizing the entrepreneurs with the major chance of positively introducing new commercial events and again locating them. India has the problem that lack of accessible, affordable and proper monetary services and it also have in effect wide-ranging monetary system required for economic development of public. Government and RBI together play an essential role in encouraging economic inclusion for financial progress to upturn the banking diffusion, setting up of current ATM and application of numerous scheme in nation.

## Conclusion

Banks play a crucial and important role for developing the economic growth in developed countries. Bank invest the more infrastructure facilities such as storage, marketing activities irrigation facilities, processing. By banks, agricultural infrastructural can be developed, as it consist of abundance views for banks to participate in actions. The present reading exposes that in what way profitmaking banks are helpful in improvement

of country. If we make evaluation between urban and rural areas then, concluded regarding urban areas are further established because of small recognition flow and less involvement of agricultural sector in Gross Domestic Product (GDP) of India. It is concluded that modern economies of world have established mainly by production greatest practice of recognition accessibility in related system



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