УДК 336.713:336.77

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КОММЕРЧЕСКИЕ БАНКИ КАК ЭЛЕМЕНТ ДЕНЕЖНОЙ-КРЕДИТНОЙ СИСТЕМЫ

Аннотация: данная статья посвящена изучению функционирования коммерческих банков как элемента денежно-кредитной системы.

Ключевые слова: денежно-кредитная система, коммерческие банки

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COMMERCIAL BANKS AS AN ELEMENT OF MONETARY SYSTEM

Abstract: this paper is about the monetary system and how the commercial banks act as an element of the monetary system.

Keywords: monetary system, commercial banks

Because to the Glass-Steagall Act, it was relatively simple to distinguish between banks between 1933 and 1999. You were an investment bank if you assisted businesses in issuing shares. You were a commercial bank if deposits and lending were your main concerns. The ability to implement Glass-Steagall as a strict law began to diminish starting in the late 1990s, and the statute was essentially repealed. For people

and companies to handle basic financial responsibilities, commercial banks offer a variety of financial services [2].

A financial organization is referred to be a "commercial bank" if it accepts deposits, provides checking account services, makes different loans, and provides consumers and small companies with basic financial products including certificates of deposit (CDs) and savings accounts. Most people conduct their financial business at commercial banks [5].

Commercial banks generate revenue through making loans, including mortgages, vehicle loans, business loans, and personal loans, and charging interest on those loans.

The money needed to fund these loans is provided by customer deposits to banks. Consumers and small to midsize businesses can access the fundamental banking services provided by commercial banks, such as loans and deposit accounts.

Consumers and small to midsize businesses can access the fundamental banking services provided by commercial banks, such as loans and deposit accounts. Commercial banks profit from a range of fees as well as from the interest they get on loans.

Commercial banks have historically had physical facilities, but an increasing number of them now run entirely online. Because they generate capital, credit, and market liquidity, commercial banks are crucial to the economy.

How commercial banks work

The general population, including both individuals and small- to medium-sized businesses, is provided with basic banking services and products by commercial banks. Checking and savings accounts, loans and mortgages, fundamental investment services like CDs, and additional services like safe deposit boxes are among these services.

Fees and service charges are how banks are paid. Account fees (monthly maintenance fees, minimum balance fees, overdraft fees, and non-sufficient funds [NSF] penalties), safe deposit box fees, and late fees are some examples of these expenses, which vary depending on the goods. In addition to interest fees, many loan packages also include other expenses [3].

Banks also profit from interest earned on the loans they make to other customers. They use consumer deposits as collateral for loans. Nevertheless, banks pay less in interest on the money they borrow than they do on the money they lend. For instance, a bank might charge mortgage customers an annual interest rate of 4.75% while offering savings account customers an annual interest rate of 0.25%. Commercial banks have historically been situated in structures where clients come to conduct ordinary banking transactions using ATMs and teller window services. Most banks now allow their customers to do the majority of the same activities online that they might perform in person, including transfers, deposits, and bill payments, thanks to the advancement of internet technology.

A growing number of commercial banks only conduct business online, necessitating electronic processing of all transactions. These banks can provide their customers with a greater choice of goods and services for a lower price—or none at all—because they don't have any physical premises.

Commercial banks' primary responsibility is to offer financial services to individuals and businesses in order to promote social and economic stability and long-term economic growth. The primary role of commercial banks in this regard is the production of credit.

The fractional reserve banking system that is currently used in the majority of developed nations depends heavily on commercial banks. As a result, banks can issue new loans up to (typically) 90% of their available deposits, which should expand the economy by freeing up capital for lending

A monetary system is a way for a government to inject money into an economy. The national treasury, the mint, the central banks, and the commercial banks are typically the components of contemporary monetary systems. The term "monetary system" refers to a group of institutions that offer a favorable environment for a government's generation of money in an economy. 3 different types of monetary systems exist: commodity currency. money based on commodities [1].

To control economic turbulence and attain price stability, central banks employ monetary policy, which results in low and stable inflation. In many developed

economies, central banks have clear inflation targets. A lot of emerging nations are implementing inflation targeting as well [3].

By changing the amount of money available, central banks adjust their monetary policy. Typically, they do this by buying or selling securities on the open market. Short-term interest rates are impacted by open market operations, which in turn affect longer-term rates and the economy. The monetary policy is loosening when central banks reduce interest rates. Monetary policy tightens when interest rates are increased [1].

Commercial banks have a significant role in the economy. Together with offering consumers a crucial service, they also contribute to the market's capitalization and liquidity [5].

Commercial banks maintain liquidity by lending out the money that their clients deposit in their accounts. Commercial banks contribute to the issuance of credit, which increases output, employment, and consumer spending while also stimulating the economy [4].

As a result, the central bank of each nation or region has strict regulations in place for commercial banks. For example, commercial banks are subject to reserve requirements set by central banks. In order to protect themselves against a sudden surge in public withdrawals of money, banks are therefore compelled to keep a fixed portion of consumer deposits at the central bank. Savings accounts and certificate of deposit (CD) investments are popular with customers because they offer easy withdrawals and are protected by the Federal Deposit Insurance Corp. (FDIC). Clients can request cash withdrawals, and their funds are fully insured up to $250,000 in total. Banks don't have to pay much for this money, as a result.Many banks offer interest rates for savings accounts that are significantly lower than those offered on U.S. Treasury bonds (T-bonds) and pay no interest at all (or very little) on checking account balances [5].

Residential mortgages account for the vast majority of consumer credit, which makes up the majority of bank lending in North America. Real estate is purchased using mortgages, and the homes themselves are frequently used as collateral for the loan. Mortgages are frequently written with 30-year payback terms and can have fixed, adjustable, or variable interest rates. Many of the riskier mortgage products, such as

pick-a-payment mortgages and negative amortization loans, are far less widespread today than they were during the U.S. housing boom of the 2000s. Therefore commercial banks is main and importance element in system of monetary.

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