

## Functions and Roles of Central Bank and Commercial Bank and their relationship.

### Definition of Bank:

Different Authors and Economists have given some structural and functional definitions on Bank from different angles:

" Bank is a financial intermediary institution which deals in loans and advances"--- **Cairn Cross**.

" Bank is an institution which collects idle money temporarily from the public and lends to other people as per need."---  
**R.P. Kent**.

" Bank provides service to its clients and in turn receives perquisites in different forms."--- **P.A. Samuelson**.

" Bank is such an institution which creates money by money only."-----**W. Hock**.

" Bank is such a financial institution which collects money in current, savings or fixed deposit account; collects cheques as deposits and pays money from the depositors' account through cheques."-----**Sir John Pagette**.

Indian Company Law 1936 defines Bank as " a banking company which receives deposits through current account or any other forms and allows withdrawal through cheques or promissory notes."

### Objectives of Bank:

1. To establish as an institution for maximizing profits and to conduct overall economic activities.
2. To collect savings or idle money from the public at a lower rate of interests and lend these public money at a higher rate of interests.
3. To create propensity of savings amongst the people.
4. To motivate people for investing money with a view to bringing solvency in them .
5. To create money against money as an alternative for enhancing supply of money.
6. To build up capital through savings.
7. To expedite investments.
8. To extend services to the customers.
9. To maintain economic stability by means of controlling money market.
10. To extend co-operation and advices to the Govt. on economic issues.
11. To assist the Govt. for trade& business and socio-economic development.
12. To issue and control notes and currency as a central bank.
13. To maintain and control exchange rates as a central bank.

### Meaning and Origin of Bank:

The word 'Bank' is widely and extensively used and circulated. The 'Bank' in English carries the same meaning in Bengali. The origin of English word 'Bank' came into being (when, where and how) which could not be specifically identified. The history regarding the origin of 'Bank', even after the twelfth century, is not also clear which has been based on guesses. According to some writer the word 'Bank' was derived from 'Banco', 'Bancus', 'Banque' or 'Banc' all of which mean a bench upon which the mediaeval European Money-lenders and Money -Changers used to display their coins. Anyhow this word has been in use from the middle ages in connection of a bank. In the words of German writer W. Frankace, a long stool or bench was said to be replaced by Bank, Bangke etc. in the Scandinavian and Mid-