



Banks

For most of us, the important and best-known financial institution is our local bank. Probably our bank is a commercial bank, meaning that the bank is involved in trade, and what it trades in is money and other financial services. It carries out this trade for a profit, just as any business does.

Banks carry out a variety of functions. For its customers it operates saving and checking accounts; it offers loans; it changes money. With the familiar savings account, the customer can save money and earn interest. The customer deposits and withdraws money, and his deposits and withdrawals along with his interest earnings and the balance (the total of deposits minus withdrawals) are recorded in a passbook.

A checking account is a service that usually makes our lives a little easier. The bank holds our money and we pay our bills with our checks by drawing on our accounts. The checks come back to our bank through a clearinghouse and our accounts are charged for the checks we have written. At the end of each month we receive a statement which summarizes our transactions. Although checking accounts are very helpful, we can sometimes make problems for ourselves by bouncing a check. The check bounces back to us like a ball (a check that bounces is called a rubber check). It is marked insufficient funds, meaning we do not have enough money in our account to cover the check; we have overdrawn our account.

Banks usually have a service charge for maintaining our checking accounts, although some bank do not charge us if we keep a minimum balance in our account. So for example, if the minimum is 500 \$ and our balance never goes below 500 \$, we do not pay a service charge.

In addition to operating accounts, banks also loan money and charge interest on the loans. Although banks always try to keep a certain amount of money in reserve to cover withdrawals, they invest a large part of the money they are holding to earn more money. They also offer other services for a fee, such as storing valuables for people in safe deposit boxes inside the bank's vault and changing currencies.

In short, banks provide services and use our money to make money.

Activity 01:

Answer the following questions.

1. In what way is a bank a commercial institution?
2. What does a bank trade in?
3. What are the functions of a bank?
4. What operations with money does a customer perform in a bank?
5. What does the word » balance« mean in the language of banks?
6. What operations does a bank perform with money?

