



Business English

Second Semester

Unit Banking

Lecture : 07 types of banks and their features

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The bank :

According to Gary Hemming , Commercial Lending Director

A Bank is a financial establishment or institution that deals with different types of money transactions.

Banks are vital to a country's economy as they help a single person with their assets as well as small and big businesses.

Some temples also were believed to store their valuables, as it was considered sacred and safe from misdeeds. Loans were also present during those times as well as traders that managed in buying and selling of goods, which improved their economy. Over time, merchant bankers were properly recognized. These merchants specialize in offering their services, such as doing other people's payments and managing their assets.

Banks can safely store customers' money and can also lend money to them, with interest. There are plenty of benefits a bank provides, such as protection of money if a person decides to open an account using their bank. A small amount of interest is also given in compensation for letting the bank use the money for investments, such as loans. Banks are also transparent regarding customers' accounts. Users can track their transactions, and can ask for assistance if a problem occurs. Additionally, they have debit cards that allow the user to withdraw any amount using an automated teller machine (ATM) and a credit card. Banks are important because it help a lot of people as well as businesses, and they can use it to make payments and any other transactions. Furthermore, banks lend money helping the economy in the process. Banks are also responsible for making the money for its country and can exchange money to foreign currency. It is also highly protected by the Federal Reserve System and then guarantees that a certain bank is following the rules and regulations of the country

Types of banks

Listed below are the 7 types of banks and their features:

1- **Credit Unions:**

A credit union is an institution that is non-profitable but gives the same basic benefits to its members. It offers the same services as a normal bank, but credit unions offer their services at a lower interest rate. To acquire the benefits of credit unions, a person needs a membership. Shareholders will pool their money to help their members get a loan and obtain other services.

2- **Investment banks:**

An investment bank serves lots of large corporations, firms and buys shares to resell to investors, and even governments. Investment banks focus primarily on big corporations, governments, and firms to provide them with the complicated financial assistance that will help their client business grow. They also act as a bridge that is linked between the stockholder and the company. Investment banks do not take deposits of money because their main goal is to trade and sell the shares of a corporation to an investor. Investment banks find a possible investor to buy shares of the company.

3- **Commercial banks:**

Commercial banks are the financial organizations that receive deposits, provide security to the account, and give loans. banks are financial institutions where individuals and businesses can do their banking. A commercial type of institution accepts deposits, opening, and checking of accounts, as well as getting financial assistance through loans. Commercial banks operate by profiting from their clients, from service fees, monthly service payments of clients, loans, and fees from safe deposit boxes. Through commercial banks, individuals can safely store and track their money, loans that can greatly help businesses; online banking transactions, can use automated machines using debit cards provided by a specific bank. These banks are also accessible to anyone as they have a lot of branches

4- **Retail banks:**

A retail bank is a bank that only lends help to small businesses and companies and consumers. . A retail bank provides basic bank services to individuals that wish to manage their money. Some of their service products also include term and fixed deposits, and foreign currency accounts. Retail banks also offer their customers debit cards, and credit cards to build credit

scores that will allow a person to access better borrowing terms. Customers can also apply for different loans. The main risk of using a retail bank is credit risk, since it offers lots of loans that can lead to excessive debt.

5- **Savings and loan associations:**

The savings and loan and associations are an institution that mainly helps individuals with their residential mortgages or properties. A savings and loans association is a financial institution that provides the necessary financial aid to the people. Their primary focus is on helping the customers to get mortgage loans to purchase a property. It also accepts deposits for savings accounts, and the organization will use it as an investment in what they lend to the responsible borrowers. Although their main focus is on mortgages and loans, savings and loan associations also give basic bank services. It has debit and credit cards that will help their customers increase their eligibility for loans.

6- **Community development banks:**

The purpose of community development banks is to provide help to individuals that live in low socioeconomic places. The community development bank type of bank operates differently than any other bank because community development banks do not take money deposits from clients. They offer assistance for personal and business reasons, but their main objective is to lend help with lower interest rates to low-level socioeconomic places across a given area. It gives the less fortunate places to improve and catch up with other thriving places. They don't focus on making a profit, but want everyone to thrive in a community.

7- **Online and neobanks:**

Online and neobanks are online banks without physical branches. The bank is popular because anything can be done online, and it is convenient and hassle-free. Online banking and neobanks are both banks that can be accessed online, but online banking is an action of a customer to access their accounts online without going to the bank's physical branch. Meanwhile, neobanks are banks that do not have any physical branches and are completely available online. Online and neobanks provide savings and checking accounts, payment, transfer of savings, financial education tools as well as budgeting help. The risk for online and neobanks is if their system are not protected by Federal Deposit Insurance Corporation. It is important that the user reads the terms and agreement before opening an account