

Important Topics Exposition:

[The important information of this chapter has been provided here at a glance.]

1. Concept of Barter System:

At the beginning, the necessities of men were very limited and they met those necessities by exchanging additional commodities after meeting his demand. This "exchange of commodities" is known as Barter System.

2. Concept of Currency:

Currency means a medium of exchange which is acceptable to all and which works as a scale in measuring values and medium of savings.

3. Concept of Bank:

Bank is a financial institution which collects the deposits from people against interest and makes investment for earning profit and is bound to return the money to the depositors at the moment they ask or after a fixed time.

4. Concept of Banking:

According to Oxford Dictionary, "Bank is a safe organization for depositing, withdrawing money and giving loan". Therefore, the term 'Bank' gives the elaborate concept about the banking activities. It means all the legal activities of a bank are known as banking.

5. Concept of Banker:

People directly involved in the banking business are called bankers. The two words 'Bank' and 'Banker' are essentially interrelated. Since running a bank or banking activities is not possible on one's own.

6. The main activities of banks, also known as banking:

- Deposit collection from the people
- Loan sanction
- Discounting and approving Bills of Exchange
- Finance in foreign trade and in Letter of credit
- Money transfer
- Protection of valuables and documents
- Asset management and financial advice

7. Why currency is called the mother of banking system**Or the relationship between bank and currency:**

From the very start of evolution of banking system to till now, the bank has been using the currency as the main element of its business. A bank focus its deposit by collecting surplus money from people a savings. For depositing money, the depositor is offered a fixed rate of interest or profit. The bank earns profit by lending these deposits as loan charging higher rate of interest to the borrowers. As the bank cannot run without currency, so on the uses of currency is limited without the bank. So, currency is called the mother of banking system.

8. Why money is called the means of savings:

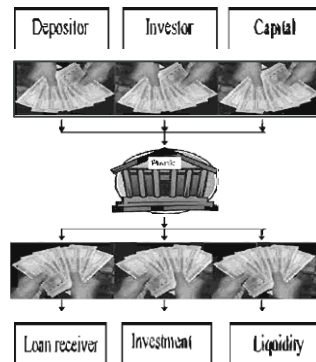
Money works as the means of savings. It means that when we want to save for future, we can make this savings through money. If there is no existence of money, our savings would very difficult.

9. Why was paper currency introduced:

Using of paper money has greatly increased because of availability of papers, easy transferable and compatibility to different types of security measures compared with other means of exchange.

CQs for Self-assessment:

1.



- What is bank liquidity?
Or what is the full form of LC?
- How the bank does create loan?
- How does the bank manage their capital & profit? Explain.
- 'Bank is a holder of others money'- Give your opinion.

2.



- What is Currency?
 - Describe barter trade system.
Or what is the main function of currency?
 - How the usage of currencies facilitated the trading? Explain.
 - 'The history of currencies is very amazing'. Discuss.
3. In primitive age, the demand of the men was too limited. At that time, men met their demand by exchanging one commodity with another. After that, the use of currency was evolved because of occurring various problems related with barter system. Just after the introduction of currency, the necessity of banking system was indeed. Bank cannot move without currency and vice- versa the use of currency was limited without bank.
- When the use of paper money was introduced?
 - What is E-Banking? Explain.
 - Explain the problems of that system which is being used in the primitive age.
 - Evaluate the relationship between bank and currency according to the line "Bank cannot move without currency and vice-versa the uses of currency was too limited without the introduction of bank."

MCQs for Self-assessment (Board MCQ):

1. In favour of which person, "Letter of Credit" is issued?
 - a) Bank
 - b) Exporter
 - c) Government
 - d) Importer
2. In which decade, denationalized process was started?
 - a) Fifty's decade
 - b) Seventy's decade
 - c) Sixty's decade
 - d) Eighty's decade
3. The Latin meaning of the term "bank" is -
 - a) Savings
 - b) Long table
 - c) Chair
 - d) Investment
4. The uses of paper money was introduced, because of -
 - i) Alternative uses of metal coins
 - ii) Longevity of metal coins
 - iii) Shortage of metal coinsWhich one is correct?
 - a) i& ii
 - b) ii & iii
 - c) i& iii
 - d) i, ii & iii
5. What is the full form of LC?
 - a) Letter of commerce
 - b) Letter of credit
 - c) Letter of certificate
 - d) Letter of cost
6. Bank follows which principle in case of issuing notes??
 - a) Principle of continuous
 - b) Principle of specialization
 - c) Principle of secrecy
 - d) Principle of investment
7. One of the most important principle of bank is -
 - i) Liquidity principle
 - ii) Principle of goodwill
 - iii) Principle of specializationWhich one is correct?
 - a) i& ii
 - b) ii & iii
 - c) i& iii
 - d) i, ii & iii
8. When the Reserve Bank of India is established?
 - a) 1930
 - b) 1935
 - c) 1940
 - d) 1960
9. 'Interpersonal Development' is the objective of which bank?
 - a) Unit Banking
 - b) Group Banking
 - c) Branch Banking
 - d) Chain Banking
10. Which bank introduces the currency?
 - a) Central Bank
 - b) Investment Bank
 - c) Commercial Bank
 - d) Industrial Bank
11. Which is called the mother of banking system?
 - a) Currency
 - b) Cheque
 - c) Bill of exchange
 - d) Bank draft
12. Which is the objective of bank form government point of view?
 - a) To control product price
 - b) To develop living standard
 - c) For social contribution
 - d) Advisor and consultant
13. Which bank gives LC?
 - a) Commercial bank
 - b) Shilpa Bank
 - c) Central Bank
 - d) Krishi Bank
14. Which bank helps central bank to control money market?
 - a) Investment Bank
 - b) Cooperative Bank
 - c) Shilpa Bank
 - d) Commercial Bank
15. The word 'Bank' is originated from which ancient language?
 - a) Greek
 - b) Latin
 - c) French
 - d) German