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## **ОСНОВНЫЕ ТИПЫ БАНКОВ И ИХ ФУНКЦИИ В СОВРЕМЕННОЙ ЭКОНОМИКЕ**

*Аннотация.* В данной статье рассматриваются основные типы банков — такие как центральные, коммерческие и инвестиционные банки и др. В работе описываются эмиссионные, расчётно-кассовые услуги, кредитные и депозитные операции, а также инвестиционные и консультационные услуги. В статье подчёркивается, что банки не только формируют.

**Ключевые слова:** коммерческие банки, центральный банк, инвестиционные банки, банковские функции, экономическое развитие.

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## **THE MAIN TYPES OF BANKS AND THEIR FUNCTIONS IN MODERN ECONOMY**

***Abstract.** This article examines the main types of banks—such as central, commercial, and investment ones, etc. Emission, settlement and cash services, credit and deposit operations, investment and advisory services are described in the paper. The article highlights that banks generate their own resources but also facilitate the internal accumulation of funds necessary for national economic development.*

***Keywords:** commercial banks, central bank, investment banks, banking functions, economic development.*

It is impossible to imagine contemporary economy without a developed banking system that acts as a key element of financial infrastructure. Banking systems is an intermediary of the capital movement and resource redistribution. Banks do not only accumulate available funds temporarily, but also transform them into investments.

It is essential to consider how different types of banks carry out their own functions, because it contributes to the analysis of economic dynamics locally as well as nationwide. The aim of this paper is to systemize theoretical knowledge of banks types and their functions. To achieve this goal, it is proposed to classify the main banking institutions, describe in detail their functions, and identify their similarities and differences.

Describing banking institution, it is reasonable to start with **Central banks**. Central banks manage the supply of money for a country or group of countries. Central banks are entitled to supervise and direct the entire financial system on the national level. Central bank carries out monetary regulations, the issue of money and ensures stability of the national currency, which makes it a key institution of macroeconomic policy. The interest rate is an instrument that Central banks use under the framework of monetary policy. Open market operations and reserve standards are also attracted to regulate the volume of the monetary base and credit activity. Central banks don't deal with individuals or enterprises. Their clients are different types of banks.

Central banks ensure the stability of the national currency and manage foreign exchange reserves and, if necessary, intervene in the foreign exchange market in order to smooth out excessive exchange rate volatility. Central banks are entitled to coordinate monetary actions using fiscal policy and transparency of decisions. This leads to the raise of the level of effectiveness of measures to stabilize prices and maintain confidence in the monetary unit.

Dynamic adjustment of monetary policy instruments allows the central bank to respond to shocks and maintain predictable conditions for economic agents.

As we have already considered central banks and their functions, let us describe **commercial banking**. 'Commercial banks play an important role in the financial system and the economy. As a key component of the financial system, banks allocate funds from savers to borrowers in an efficient manner. They provide specialized financial services, which reduce the cost of obtaining information about both savings and borrowing opportunities. These financial services help to make the

overall economy more efficient'. [1] 'A characteristic feature of the commercial banks, which distinguishes them from state banks and credit cooperatives, is that the main purpose of their work is making a profit (this is their "commercial interest" in the system of market relations)'. [2] Universal commercial banks provide wide range of services. The most common among them are lending, deposit operations, cash and settlement services, and foreign exchange operations. Thus commercial banks play an important role of financial intermediaries in economy. Commercial banks usually serve businesses or corporations, although they may also serve the needs of individual customers. As a key component of the financial system, banks allocate funds from savers to borrowers in an efficient manner. They provide specialized financial services, which reduce the cost of obtaining information about both savings and borrowing opportunities. In addition to universal commercial banks there are also **specialized commercial banks**. They can be focused on separate market segments, for instance, mortgage lending or small and medium-sized businesses service. These banks are purposed to conduct expertise in various niches that contributes to precise risk assessment and financial instrument development. This leads to the availability of targeted financing for specific groups of clients.

Investment and savings banks are highly specialized financial institutions in comparison to universal commercial banks. Investment banks play an important role in the financial system, because they provide complicated services to various corporations. Investment banks help them to attract capital and business reconstruction. The most efficient instrument in this case is security papers underwriting. It implies that the bank guarantees shares or bonds placement on the primary market, taking on risks and supplying the corporation with finance needed. As for savings banks, they are targeted to accumulate population's savings. Savings banks issue long-term loans especially in the field of housing sector. Savings banks provide deposit accounts and mortgages to meet mass-retail customer's needs. Their function contributes to household savings rise, besides it raises availability and affordability of housing. It goes without saying that savings banks play important social and economical role.

Let's take a closer look at the functions of banks. It is clear that banking system is based on the following operations - **emission, settlement and cash services**. It is impossible to imagine banking functioning without them. Emission function amounts to the fact that central banks have the monopoly right to issue banknotes. It provides fundamental condition of money circulation stability in economy. Central banks are entitled to control the volume of money in circulation. This function of the central bank prevents the economy from surrogates emergence and provides trust in the national currency. In contemporary economy emission function is not only the issue of banknotes and coins but also digital currency implementation. 'It is obvious that digital currency is natural stage of money evolution.' [3] It is proved by the plan of the Bank of Russia plans to expand the digital ruble: 'The introduction of the digital ruble is seen as a fundamentally new element of the transformation of banking business models. Digital ruble is considered to be the third form of national currency along with cash and non-cash funds.' [4] Digital ruble is an additional means of payment that can operate without the primary means of payment. If we additionally print the main means of payment, the ruble, this will lead to inflation. In other words, we will make the money cheaper in case we increase the amount of means of payment. Therefore, it seems reasonable to create a digital currency that will take on part of the settlement burden and reduce pressure on the traditional banking sector. Absolutely the same role was played by bitcoins in relation to dollars. Digital currency in particular digital ruble has become possible to say when blockchain system was invented. Blockchain system allows us to see the funds flow – in particular, to learn who used the money, to understand how long the money belonged to the individual or company, to find out if these funds have a criminal trail, discover if interest was charged on them, to determine what banks the fund were placed, etc.

Cash management (settlement) services produced by commercial banks provide conditions to process non-cash payments between economic agents. It results in money circulation acceleration and transaction cost decrease. Banks act as intermediaries that supply clients with money transfer and transactions between the customers' accounts. Besides the banks provide cash collection and storage services.

The efficiency of this function influences velocity of payments. Velocity of payments is of crucial importance for businesses and enterprises, because payment delays can lead to lost profit.

Let us describe **credit and deposit operations**: mechanisms for raising and placing funds. The buildup of temporary available funds of economic agents is considered to be the basis of commercial banks operation. Deposit transactions form bank's recourse fundament which involves household savings and temporary unused business funds attraction. The process of savings transformation into the capital is vital for the economy, because it enables countries to mobilize fragmented small funds for further large-scale financing. Thus deposits serve not only as an instrument to save depositors' money but also as the leading source of lending potential of the banking system.

We know that businesses and private finance can't do without investment and advisory services provided by the banks. Why do companies and enterprises contact banks? The answer is that investment banks give businesses opportunities to attract capital and to provide business restructuring. As we have already said describing investment banks, they guarantee stocks and bonds placement on the primary market. Along with this the banks take on risks and supply corporations with funds needed. And it's also important not to forget to note that such types of financial institutions organize consolidation of companies - **Mergers and Acquisitions** (M&A). Investment banks are capable of M&A because they do financial consulting taking into account synergy and defining key parameters and stages of a deal. What do institutional clients need? They want to be sure of capital growth and risk diversification. This aim can be achieved by asset management, including building investment portfolios provided by the investment banks.

We have described different banks functions. What have we found out? Firstly, the functions of financial organizations are much wider than an ordinary individual and bank client may imagine. Besides we have studied that two - tier banking system is one of the most common and this system implies that central bank is a key player of a nation's economy. Also we have described what commercial

banks do and how their work influences the customers and economy in general. It was important to highlight certain banks functions and operations conducted by different types of banks. It became clear to us that clearly defined tasks are given to investment or savings banks, for instance. And these functions are carried out only by them. However, there are such financial services such as lending or free fund attraction that can be performed by commercial, central and investment banks. The only difference here is that they have different end customers (individuals, banks, enterprises). Thus we can conclude that the article has enabled us to systemize the knowledge of the main types of banking institutions and their functions.

### **Literature Review:**

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