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Abstract: Banks are essential institutions in modern economies, playing a critical role in the efficient allocation of financial resources, ensuring economic stability, and supporting social development. This article provides an in-depth analysis of the core functions of banks, the different types of banking institutions, and their role in facilitating economic and social processes. It also highlights the significance of banks in financial intermediation, payment systems, risk management, and financing development projects.

Keywords: Banks, financial intermediation, payment system, risk management, types of banks, economic development

Annotatsiya: Banklar zamonaviy iqtisodiyotning markaziy institutsiyalaridan biri bo'lib, moliyaviy resurslarni samarali taqsimlash, iqtisodiy barqarorlikni ta'minlash va ijtimoiy rivojlanishni qo'llab-quvvatlashda muhim rol o'ynaydi. Ushbu maqolada banklarning asosiy funksiyalari, turli turlari va ular orqali amalga oshiriladigan iqtisodiy va ijtimoiy jarayonlar chuqur tahlil qilinadi. Shuningdek, banklarning moliyaviy vositachilik, to'lov tizimlarini ta'minlash, risklarni boshqarish va rivojlanish loyihalarini moliyalashtirishdagi ahamiyati yoritiladi.

Kalit so'zlar: Banklar, moliyaviy vositachilik, to'lov tizimi, risklarni boshqarish, bank turlari, iqtisodiy rivojlanish

Аннотация: Банки являются ключевыми институтами современной экономики, играя важную роль в эффективном распределении финансовых ресурсов, обеспечении экономической стабильности и поддержке социального развития. В данной статье проводится углубленный анализ основных функций банков, различных типов банковских учреждений и их роли в обеспечении экономических и социальных процессов. Также рассматривается значение банков в финансовом посредничестве, платежных системах, управлении рисками и финансировании проектов развития.

Ключевые слова: Банки, финансовое посредничество, платежная система, управление рисками, типы банков, экономическое развитие

Introduction

Banks are fundamental institutions within any economy, serving as critical intermediaries that facilitate the flow of funds between savers and borrowers. They provide the financial infrastructure necessary for both households and businesses to manage resources effectively, support investment decisions, and promote economic stability. Over time, the role of banks has expanded beyond simple deposit-taking and lending activities to encompass a wide array of services, including risk management, investment facilitation, and technological innovations in digital finance. The increasing complexity of

modern economies, coupled with globalization and financial integration, has elevated the importance of banks as pivotal agents in shaping economic outcomes.

The significance of banks extends not only to economic efficiency but also to social development. By providing access to credit, savings instruments, and financial advisory services, banks empower individuals and small enterprises to engage actively in productive economic activities. This capacity to promote financial inclusion is particularly crucial in emerging and developing economies, where access to formal financial services can determine the trajectory of socio-economic development. Moreover, banks contribute to maintaining macroeconomic stability through their role in monetary policy transmission, liquidity management, and oversight of financial risks.

Understanding the various functions and types of banks is essential for comprehending how financial systems operate and evolve. Central banks, commercial banks, investment banks, and development banks each serve distinct purposes within the economy, reflecting the diverse financial needs of societies. Central banks are tasked with regulating money supply and ensuring financial stability, while commercial banks provide everyday financial services to individuals and businesses. Investment banks facilitate capital market activities and corporate finance, whereas development banks target long-term socio-economic development projects that might be underserved by the private sector.

This article aims to provide a comprehensive analysis of banks, exploring their core functions, roles in economic and social development, and the different types of banking institutions. By examining these dimensions, the study highlights the strategic importance of banks in sustaining economic growth, fostering financial inclusion, and promoting overall societal prosperity. The discussion also underscores the dynamic nature of banking in the context of technological advances, regulatory changes, and the evolving needs of global and domestic economies.

Main part

Banks occupy a central position in modern economic systems by acting as key financial intermediaries that connect surplus and deficit units within an economy. Through their operations, banks ensure the efficient allocation of financial resources, promote economic stability, and facilitate sustainable growth. In an increasingly globalized and digitized financial environment, the role of banks has expanded beyond traditional deposit-taking and lending activities, encompassing complex financial services that support investment, trade, and innovation.

The fundamental economic role of banks lies in their ability to mobilize savings and transform them into productive investments. Households and firms with excess funds deposit their savings in banks, which are then redistributed to borrowers in need of capital. This process reduces transaction costs and information asymmetry, as banks possess specialized expertise in assessing credit risk and monitoring borrowers. By performing this intermediation function, banks enhance capital formation and contribute to higher levels of economic efficiency.

Another essential function of banks is the facilitation of payment systems. Banks provide the infrastructure that enables smooth and secure financial transactions, both domestically and internationally. Through instruments such as electronic transfers, checks, and digital payment platforms, banks ensure the uninterrupted circulation of money within the economy. The reliability of banking payment systems is particularly critical for maintaining public confidence and preventing disruptions in economic activity.

Banks also play a significant role in risk management and financial stability. By diversifying their loan portfolios and offering financial products such as insurance-linked services, derivatives, and guarantees, banks help distribute and mitigate financial risks. Moreover, banks act as key channels for the transmission of monetary policy. Central bank decisions regarding interest rates and liquidity conditions directly influence banking operations, which in turn affect credit availability, investment behavior, and overall economic performance.

In addition to their macroeconomic role, banks contribute to financial inclusion and social development. By providing access to credit, savings instruments, and financial education, banks empower individuals and small enterprises to participate in economic activities. In developing and

transition economies, an efficient banking sector is particularly important for reducing income inequality and supporting entrepreneurship.

Banks can be classified into various types based on their functions, ownership structure, and scope of operations. Central banks represent the apex of the banking system and are primarily responsible for issuing currency, regulating money supply, and ensuring financial stability. Unlike commercial banks, central banks do not operate with the objective of profit maximization but focus on maintaining price stability and safeguarding the integrity of the financial system.

Commercial banks constitute the most visible and widely used category of banks. They provide a broad range of services, including deposit accounts, loans, payment services, and credit facilities for individuals and businesses. Through their interaction with the real sector of the economy, commercial banks directly influence consumption, investment, and employment levels.

Investment banks specialize in capital market activities such as underwriting securities, facilitating mergers and acquisitions, and providing advisory services. Their role is particularly important in mobilizing long-term capital and supporting corporate growth. By linking investors with firms seeking financing, investment banks contribute to market efficiency and economic expansion.

Development banks focus on financing projects that have long-term economic and social benefits. These institutions often support infrastructure development, industrial modernization, and innovation, especially in sectors where private financing is insufficient or carries high risk. Development banks thus play a strategic role in structural transformation and sustainable development.

Conclusion

Banks are not merely financial intermediaries; they are foundational pillars of modern economic systems, influencing virtually every aspect of economic activity. Their capacity to mobilize savings, provide credit, and facilitate payments directly impacts investment, consumption, and overall economic growth. Moreover, banks contribute to the stability of financial markets by managing risks, monitoring borrowers, and supporting regulatory frameworks. This dual role—promoting growth while maintaining stability—underscores the strategic importance of the banking sector in both developed and developing economies.

The diversity of banks, ranging from central banks and commercial banks to investment and development banks, reflects the multifaceted needs of the economy. Central banks act as guardians of monetary stability, commercial banks drive day-to-day financial activity, investment banks enhance capital market efficiency, and development banks address long-term socio-economic challenges. Together, these institutions form a comprehensive banking ecosystem that not only supports immediate financial needs but also fosters long-term sustainable development.

In addition, banks play a critical social role by promoting financial inclusion and supporting entrepreneurship. Access to credit and financial services empowers individuals and small businesses to participate actively in economic life, thereby reducing inequality and encouraging innovation. In a globalized economy characterized by rapid technological advancements, the adaptability of banks to digital finance, fintech solutions, and cross-border financial integration will determine their continuing relevance and effectiveness.

Ultimately, the resilience, efficiency, and adaptability of the banking sector are essential for economic prosperity. By maintaining public trust, implementing prudent risk management, and responding to evolving financial landscapes, banks ensure the smooth functioning of markets and contribute to broader socio-economic progress. The ongoing development of banking practices, combined with effective regulation, remains a cornerstone for achieving both macroeconomic stability and inclusive economic growth.

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