North Asian International Research Journal of Business Economics & Management

ISSN: 2277-1018 Vol. 6, Issue-5 May-2022

IRJIF I.F. : 4.201

Index Copernicus Value: 56.02 Thomson Reuters ID: S-8304-2016

NAIRJC A Peer Reviewed Refereed Journal

DOI: 10.6947/2277-1018.2022.00006.11

HISTORY AND ROLE OF BANKS

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INTRODUCTION

As almost everyone in the world has dealt with some type of banking, whether it be used a safe place that handles cash, credit, and other financial transactions, a place to store excess cash, a place that allows consumers to borrow money for products, homes, cars, and/or helps businesses grow by providing funds to start someone's dream. Banking has been noted as being one of the key drivers in the US economy today as banking provides the liquidity needed for families and businesses to invest for the future (Amadeo, 2018) The Banking Regulation Act of 1949 defined banking as "the purpose of lending and investment, deposits of money from the public repayable on demand or otherwise and withdrawable by check, draft or noted as otherwise". The legal dictionary defined banking as "the business of receiving deposits from the public or via the financial markets, with the object of on-lending at a higher rate of interest". Regardless of what banking is defined as, banks have many duties to the customer, which include keeping their money safe, cash checks, deposit and withdraw money as well as maintain confidentiality.

HISTORY

Banking like technology has been an ever-changing industry. In today's banking market, banks offer a much wider range of services and products that they have ever before, and at an alarming faster rate as well but as mentioned on Fact Monster.com, banking has never lost its true purpose which is to put people and communities first by helping families surplus funds, lending money to help people buy necessities, put children through college and countless other purposes. For almost everyone in the world, banking is vital to their lives and a first choice when wanting to save, borrow and/or invest (Factmonster.com, 2017).

When looking at the history of banks, the first banks became available in 1791. In most states, bank organizers needed special permission from the state government to open and operate while also being supervised by the Bank of the United States, which was created in 1816 until 1832 (Factmonster.com, 2017). Back in the 1800s, bankers had to be cautious about who they lent and for how long since money than was scarce, and they needed to make sure they had enough for unexpected times, at that time, thirty to sixty-day loans were the norm. Soon after the Bank of the United States went out of business in 1832, state governments took over the job of being the banks' supervisors, yet they proved not to be good ones. During that time, banks made loans using their own money and notes were being used in exchange for gold or silver. State governments were supposed to make sure that the notes equaled up to the cash on hand, but many times that was not the case and the commerce suffered, and banks began to fail. In 1863, the National Currency Act was put in place and President Lincoln signed into law the National Bank Act. The national bank act created a new system of banks that were to be controlled by a Comptroller of the Currency. When looking at the history of banks coming into the 1900s, it is stated that the new laws that were put in place worked well and no national bank lost its money due to the supervision of US government securities but then in 1930s, the banking crisis began due to the worldwide depression. In 1931, more than 1,000 U.S. banks failed due to defaulted loans and deflation of value on assets. When President Roosevelt was put in office, he made the Office of the Comptroller of the Currency (OCC) examine all banks to see if they were able to stay open and serve customers with the currency that had. In 1933, the FDIC was put in place and accounts were protected up to 2,500 per depositor as well as other laws passed that regulated bank activities and allowed customers to have the relief that their money and assets were safe and sound (Factmonster.com)

Looking at banking today and back to the 1980s, technology has overtaken the whole banking industry. We have been able to enjoy the luxuries of telephone banking, debit and credit cards, ATMs and electronic banking. The Office of the Comptroller of the Currency now uses technology to ensure that banks are being operated as they are supposed to be and has the control that is needed within today's economy, which has caused the banking industry to double from 1980 to 2000. The profitability of banks grew even faster and represented 30% of all profits in 2007, which was a huge growth from it being only 13% in the late 1970s (Amadeo, 2018).

CORPORATE STAKEHOLDERS AND RESPOND TO THEIR ISSUES

Within the banking industry, there are several different stakeholders. Those include customers, depositors, regulators, investors, taxpayers, politicians and the directors and staff of banks. As all stakeholders hold the interest of a properly functioning banking system, none of the stakeholders work alone. Although the power among stakeholders varies by group, the power of shareholders, directors, and staff have weakened while the one who is considered depositors have a privileged position among the stakeholders (Dunbar and Clunie, 2013). Within the banking industry, each stakeholder has the potential to fight and ask for a change if they feel as if that the power between stakeholders is unfair or deemed improper. Ultimately though, a balance between all stakeholders is what is required and will include an acceptable regulatory, political and social environment for funders, bond investors and equity investors alike (Dunbar and Clunie, 2013). Stakeholders have begun to respond to issues that affect them and the banks they are apart of by participating in a CSR, which is a corporate social responsibility. In a Webranking survey, it states that participants that are in a capital-market who expect banks to involve their stakeholders to participate in a corporate social responsibility process to help them better understand the important role that stakeholders have in today's business. The capital markets then decided which CSR targets are set and achieved and then how developments will be reported. Stakeholders also respond to issues by having engagement, both internally and externally. Stakeholders are aware that in order to gain and maintain trust and continuing to manage reputational risk by engaging key members in a business to see what is important to them (Osburne, 2016).

THE ROLE OF THE INDUSTRY IN ITS SOCIAL, ECONOMIC, AND POLITICAL SETTING

Banks play important roles in a social, economic and political setting within our society. As banks roles include assisting customers with finances, investments, assets management as well as supporting economic development and international trade with the contribution to overall financial security. By banks having expert knowledge to help those in the community, they create a value for customers that encourage customer loyalty and long-term shareholder values (SEB, 2018) As banks provide services that people want and need, as it could be impossible to live without, banks are fundamentally socially, economically and politically institutions (Booth, 2011)

DOMESTIC AND INTERNATIONAL ETHICS

When talking about ethical banking, it is important to know that it encompasses all banking systems that embraces environmentally and socially conscious practices. When banking looks at banking ethically, they look at how they can earn a profit but in a way that is ethical and consistent with their own practices (Financial Bank) US Bank states that their commitment to the highest ethical standards is what makes their banking possible. As they follow a Code of Ethics and Business Conduct, they are proven to be a bank that everyone can trust. As the Code of Ethics mandates that all banks act with integrity, speak when there is a concern all while protecting your reputation and brand while also mitigating risks and strengthens within the ethical culture of the bank (US Bank). As international banking is now becoming the backbone of any economy and plays a very vital role with the development of a financial system of any country, a code of ethics within the international market needs to be set forth. International banking activities have increased rapidly due to the increase of international trading and foreign direct investments, therefore the need for domestic and international ethics is at an all-time high. Banking has become more globalized which then leads to advances in communications and technology among the international market and working with many people within many banking aspects (Shodhganga, 2018)

ECOLOGICAL AND NATURAL RESOURCES

The World Bank, a component of the World Bank Group, is an international financial institution that provides money to countries for a capital project. The World Bank consists of two institutions: The International Bank for Reconstruction and Development as well as the International Development Association (World Bank). As the World Bank is committed to helping the environment and national resources, they strive to ensure that the conservation and sustainable use of the environment leads to a supportable growth and ultimately helps lift people out of poverty for good. One strategy that the World Bank articulates is a vision for a “Green, Clean, and Resilient World for All” and has put a ton of effort into supporting productive and thriving landscapes that will cultivate growth, improve livelihoods and sustain life (The World Bank). As environmental issues such as pollution, erosion, and deforestation affect the world, the poorest communities are the ones who will suffer the most as they are impacted the most by the changes and destruction within the environment and has very little resources to help them to adapt. The World Bank makes the commitment to address environmental degradation and help ensure environmental sustainability to help not only improve the environment but as well as reduce poverty and help improve the lives of many. The World Bank Group’s Environment and Natural Resource Group helps provide the expertise, technical assistance and financing to help the countries that are hit with poverty in hopes to manage their land, sea and freshwater natural resources in a way that will create jobs, improve livelihood, enhance the ecosystem; such as carbon sequestration, pollination or water regulation as well as decrease pollution while also increase the resilience to climate change in all hopes to create a safe, clean and thriving community for all (World Bank Group.org)

SOCIAL ISSUES

Social issues are fought by social banking which focuses on satisfying the needs of the economy and society, while also considering one's social, cultural, ecological and economic sustainability. According to the Institute for Social Banking, social banking is described as the provision of banking and financial services that consequently purses as a bank's main objectives which in return will turn into a positive contribution to the potential of all human beings to develop in the present as well as in the future (Institute for Social Banking) Social Banks are defined by Benedikter by being a "bank with a conscience". Social bank focus on investing in the community, provide help to those who are in need of help as well as support social, environmental and ethical agendas (Benedikter, 2011) Social banks try to close the gap in social issues that are focused around social issues within the banking industry and try to help by investing their money in endeavors that only promote the greater good of the society instead of for-profit, social banks' main focus is on promoting human and environmental well-being and lend money for those projects for a purpose (Benedikter, 2011). As research shows that since the 1990 banks were not interested in their own environmental situations or that of clients and we seeing changes in the field of the financial sectors such as environmental investments, loans, green banking, global banking, and social and ethical banking, social issues began to arise. As the economic

Empirical research since 1990 concluded that banks were not interested in their own environmental situation or that of their clients. We are witnessing certain changes and growing awareness in the field of financial sector like; environmental investment funds, loans, green banking, global banking, rural banking, agribanking, social banking, and ethical banking. The recent economic crisis caused millions of job losses. It will take years to get momentum back by major economies. As a result of this global crisis, social banking and social finance have become important trends among bank customers in the US and Europe. The crisis transformed social banks from niche institutions to large, publicly visible players. This is due to the growing level of awareness among a number of bank customers in Europe about social banking which is a less speculative, more responsible, ethical, and community-oriented. It is the modest way to deal with money than traditional banking.

RATING OF THE INDUSTRY'S OVERALL SOCIAL RESPONSIVENESS AND ITS ACCOMPLISHMENTS IN THIS AREA

Social responsiveness refers to how businesses and their stakeholders interact with and manage their environments. The social responsiveness of a corporate accentuates the moral obligation that the said business has to society and is viewed on a mean-send continuum that can be shaped by public expectations of the responsibilities of an industry. My rating of the banking industry's overall social responsiveness responsibilities. Generally speaking, these responsibilities are implied by the terms of the social contract, which legitimizes business as an institution with the expectation that it serve the greater good by generating commerce while adhering to society's laws and ethical norms. From this perspective, corporations are in a dynamic relationship with society of which responsiveness is key.business as an institution with the expectation that it provides a service whilst adhering to society's laws and ethical norms. From this perspective, businesses are in a dynamic relationship with society of which responsiveness is a key aspect.

CONCLUSION

Saint Leo University's core value definition of Respect is: "Animated in the spirit of Jesus Christ, we value all individuals' unique talents, respect their dignity, and strive to foster their commitment to excellence in our work. Our community's strength depends on the unity and diversity of our people, on the free exchange of ideas, and on learning, living, and working harmoniously" (Saint Leo University, n.d.). Employers should value all individuals and their talents while also fostering their needs in their new roles as a career woman or dual career partner.

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