

The Role of Banks

Chapter 20: Banks and the Magic of Finance · Topic 1

Key Concept

Banks accept deposits from people who want to save money safely, often paying interest as a reward for keeping money in the bank.

Banks also provide loans to individuals and businesses who need money for things like buying a house, starting a business, or education, charging interest in return.

Banks facilitate transactions, like transferring money, paying bills, and enabling purchases through debit or credit cards, making financial activities more convenient.

By connecting savers and borrowers, banks help ensure money flows through the economy efficiently, supporting economic growth and development.

Quick Revision Notes

- Banks accept deposits and provide loans.
- Banks pay interest on deposits.
- Banks charge interest on loans.
- Loans help people buy homes, start businesses, or pay for education.
- Banks facilitate transactions like transfers and bill payments.
- Debit and credit cards are enabled by banks.
- Banks connect savers and borrowers.
- Banks support economic growth by moving money efficiently.

Practice Questions

- 1 Discuss why people keep money in a bank.
- 2 Explain the difference between a deposit and a loan.
- 3 Research the interest rate on a savings account.
- 4 Discuss how banks help businesses grow.
- 5 Explain what a debit card allows you to do.
- 6 Discuss why banks are important to the economy.