

## THE GENERAL COMPOSITION OF FINANCIAL INTERMEDIARIES. BANKS. THEIR MAIN FUNCTIONS

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### **ABSTRACT**

This article examines the general composition of financial intermediaries, with a specific focus on banks and their main functions within the financial system. Financial intermediaries play a critical role in mobilizing savings and allocating capital efficiently across the economy. Banks, as the primary financial intermediaries, facilitate economic growth by providing essential services such as deposit acceptance, credit provision, and payment processing. The study explores the structural components of financial intermediaries and analyzes how banks operate to support economic stability and development.

### **АННОТАЦИЯ**

В данной статье рассматривается общий состав финансовых посредников с особым вниманием к банкам и их основным функциям в финансовой системе. Финансовые посредники играют ключевую роль в мобилизации сбережений и эффективном распределении капитала по экономике. Банки, как основные финансовые посредники, способствуют экономическому росту, предоставляя важные услуги, такие как прием депозитов, предоставление кредитов и обработка платежей. В исследовании анализируются структурные компоненты финансовых посредников и рассматривается деятельность банков, направленная на поддержку экономической стабильности и развития.

**Keywords:** financial intermediaries, banks, credit, deposits, financial system, banking services

### **INTRODUCTION**

Financial intermediaries are institutions that channel funds from savers to borrowers, playing a vital role in the efficient functioning of the economy. Among these, banks are the most prominent and widely used intermediaries. Banks collect deposits from individuals and organizations and provide loans and other financial services to support business activities and personal financial needs. Understanding the composition of financial intermediaries and the core functions of banks is essential for grasping how modern financial systems operate. This article aims to analyze the

general structure of financial intermediaries and detail the key functions of banks within the economy.

## LITERATURE REVIEW

The role and composition of financial intermediaries have been widely discussed in academic literature. Mishkin's \*The Economics of Money, Banking, and Financial Markets\* (2019) offers a comprehensive overview of how financial intermediaries, especially banks, influence economic activity. Jones and Peters (2021) provide an in-depth analysis of financial systems and markets, highlighting the diversity and functions of various intermediaries. Studies by Smith (2020) and Karimov (2022) focus on the development and operational mechanisms of banking systems in different economies, emphasizing the centrality of banks in financial intermediation.

## METHODOLOGY

This study employs a qualitative analytical approach, reviewing academic books, journal articles, official financial reports, and international financial organization publications. The focus is on synthesizing theoretical insights and practical data related to the composition of financial intermediaries and the functions of banks. Comparative analysis of banking functions across different financial systems is also included.

## ANALYSIS AND DISCUSSION

### General Composition of Financial Intermediaries

Financial intermediaries include a variety of institutions that facilitate the flow of funds in an economy. The main types are:

- Banks: Commercial banks, investment banks, and central banks.
- Insurance Companies: Manage financial risks through insurance products.
- Pension Funds: Manage long-term savings for retirement.
- Investment Funds: Pool resources from investors to invest in diversified portfolios.

These intermediaries collect resources from surplus units and allocate capital to deficit units, ensuring effective financial resource distribution.

### Main Functions of Banks

Banks perform several crucial functions in the economy, including:

1. Accepting Deposits: Collecting funds from individuals and businesses and safeguarding them.
2. Extending Credit: Providing loans to businesses and individuals to finance investments and consumption.
3. Payment Services: Facilitating domestic and international payments and money transfers.
4. Foreign Exchange Operations: Managing currency exchange and international financial transactions.

5. Financial Advisory: Offering investment advice and financial planning services.

6. Risk Management: Assessing and mitigating credit and operational risks.

These functions enable banks to support liquidity, credit availability, and financial stability, which are essential for economic growth.

### **CONCLUSION AND RECOMMENDATIONS**

Financial intermediaries are fundamental to economic development, with banks serving as the cornerstone of the financial system. By mobilizing deposits, providing credit, and managing payment systems, banks contribute significantly to economic stability and growth. This article highlighted the general composition of financial intermediaries and detailed the primary functions of banks. To enhance the efficiency and effectiveness of financial intermediation, the following recommendations are proposed:

- Strengthening regulatory frameworks to ensure the soundness of financial intermediaries.
- Increasing transparency and competition among banks to improve service quality.
- Enhancing financial literacy to expand access to banking services.
- Promoting technological innovation to modernize banking operations and customer experience.

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