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THE ORIGINS OF BANKING

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Banking is one of the oldest sciences. It contains the experience of banking institutions over many centuries and sets out the basic principles of the banking system as it developed in all periods of world history.

The word “bank” comes from the Italian word “banco”, which means “table”. In ancient times, at one table where people gathered, a certain number of people made simple barter transactions using various types of coins (silver, gold and copper), and also handed over valuable goods for a certain period of time to merchants. Such exchanges contributed to the development of trade relations. According to scientists, barter relations were formed in antiquity, namely in slave-owning societies (III century BC); in the 6th century in the ancient Vilonia state, the exchange of goods between people began to develop rapidly and reached an even higher level in the 14th century; in the 16th century in Venice and Genoa there was a constant exchange between people [1]. This also meant that trade between people expanded and developed: in the 20th century, exchange relations between people gradually moved from commodity relations to monetary relations. Money began to be used not only as a means of payment, but also as a means of circulation.

When the first banks used money, they used ships, houses, slaves, and property as collateral. As the business sector developed, banks began to demand repayment (withdrawal) of loans [1]. This became the beginning of the commodity theory of money. Subsequently, this fee increased over the years, and it was precisely this fee that provided the main profit of the bank - its initial capital.

Lending was the bank's first and most useful business. As the second stage developed, banks began to engage in new types of business, such as clearing operations, cashless clearing operations and deposit policy.

Banks are legal entities that collect non-fixed funds of their clients (institutions and individuals) on the basis of the principle of free lending to institutions, companies, organizations, enterprises, entrepreneurs, individuals and the state on terms of urgency, payment, security, targeted destination and return [1]. In addition, being financial institutions in the economy, banks also carry out operations such as securities transactions, mutual payments and current accounts.

The growing importance of banking institutions is because they play a crucial role in the flow of funds in the state. Banks coordinate the movement of funds in the state, establish the circulation of funds and credit relations, carry out settlement transactions, and provide funds to the national economy conduct transactions with securities and act as issuers.

Firstly, banks are intermediary organizations and perform various tasks. Secondly, banks are enterprises and produce their own products. The commodity used in this business is money (local and foreign currency). Thirdly, the bank's sellers and buyers are its clients.

In addition, in accordance with the Law, for example, of Turkmenistan, "On Credit Institutions and Banking Activities", regulatory legal acts of the Central Bank of Turkmenistan and other regulatory documents, banks provide their clients with non-traditional services, such as preparation of official documents, planning (business plans) and consulting, forms of payment, training and other services. This is non-interest income for the bank and means that contracts and constant contacts with client's play an important role in the bank's activities. They are reliable and mutually beneficial.

Thus,

- the product produced by banks is another product – money in the form of services;

- banks have the right to issue, sell and buy securities and shares in accordance with the law; they also have the right to hold securities of other organizations and individuals and sell them at the request of their clients;

- banks are also known as brokerage houses because they buy and sell government funds and these transactions generate interest income for the bank.

References

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