

## THE ROLE OF SPECIALIZED BANKS IN ECONOMIC DEVELOPMENT WITH EMPHASIS ON THE AGRICULTURAL BANKS

### ULOGA SPECIJALIZOVANIH BANAKA U EKONOMSKOM RAZVOJU SA NAGLASKOM NA POLJOPRIVREDNE BANKE

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**Abstract:** *Banking is defined by the type and content of banking activities and institutions, which together make up the content of the banking system. At the same time, their importance and role associated with money and credit as essential factors of continuity of play, as their role is just to play supply the necessary amount of money and credit. In some countries there are specialized banks that today are making great efforts to achieve economic development in different regions, as reflected by the scope of the large investments that are invested in the agriculture, industry and housing. Specialized Bank activates and support the role of the private sector in economic activities and are therefore one of the most important pillars of economic reforms in some countries at the present time. The research topic is related to the recognition of the causes, the main factors that caused the condition resulting from the development of the economy in some countries and the role of specialized banks in further economic development, especially in agriculture. If we well formulate models of specialized banks, especially in agriculture, than we can produce high-quality services and information to their customers and then they will constitute an adequate basis and support the economic development of the country.*

**Key words:** *Financial Management, Agricultural Banking, Economic Development*

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**Sadržaj:** *Bankarstvo je definisano prema vrsti i sadržaju bankarskih aktivnosti i institucija, koje zajedno čine sadržaj bankarskog sistema. Istovremeno, njihov značaj i uloga u vezi sa novcem i kreditima, kao bitnih faktora, je snabdevanje potrebnim količinama novca i kreditima. U pojedinim državama postoje specijalizovane banke koje danas ulažu velike napore za postizanje ekonomskog razvoja u različitim regionima, što se ogleda velikim investicijama koje se ulažu u poljoprivredu, industriju i stanovanje. Specijalizovana banka aktivira i podržava ulogu privatnog sektora u ekonomskim aktivnostima i zbog toga je jedan od najvažnijih stubova u ekonomskim reformama u pojedinim državama danas. Istraživanje se odnosi na pronalaženje glavnih faktora i uzroka koji su doveli do razvoja poljoprivrede i uloge specijalizovanih banaka u daljem ekonomskom razvoju. Ako smo dobro formulisali modele specijalizovanih banaka, posebno u poljoprivredi, možemo proizvesti kvalitetne usluge i informacije svojim klijentima što će predstavljati adekvatnu osnovu i podržati ekonomski razvoj zemlje.*

**Ključne reči:** *finansijski menadžment, poljoprivredno bankarstvo, ekonomski razvoj*

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## **Introduction**

**A**t the end of the Second World War appeared independent direction of economic theory, known as the (economic development). Since then, governments in developing countries in Asia, Africa and Latin America, and in some European countries begin to seriously think about development. But the definition of development to this day is not completely clear. All this influences that are developing countries, and among them is the Arab world, came into a situation that in most economic and social areas stagnate and regress. There is no doubt that there are some improvements in education and health care in some developing countries, including Arab, but it is not at an appropriate level for these countries want to achieve.

The world today is facing many rapid and successive changes in the economic field. If you follow the development of the economy, it must be noted that the range of changes that occur, ranging from fundamental transformation towards a free economy and its mechanisms. Such economic trends will have different effects and consequences on developing countries. This paper has the main objective to define a specialized bank, especially in the field of agriculture, as well as their role in the economic development process of the country. From this point points to the problems and difficulties they face and specialized banks due to which the set objectives are not meet, as well as the factors that led to it. In this context it is necessary to examine the existing structure of banks, to determine the factors that have contributed to their development and point out contemporary approach in their study in the context of economic development of the country's economy, especially in agriculture.

### **The definition of specialized banks**

Banking is defined by the type and content of banking activities and institutions, which together make up the content of the banking system. At the same time, their importance and role associated with money and credit as essential factors of continuity of play, as their role is just to play supplying the necessary amount of money and credit. Development banks throughout history defined shapes and specifics of production and reproduction, what is the function and organization of banks to adapt, while all the time retained the basic contents of banks as intermediaries in monetary affairs. What was constant, and what binds the very definition of the bank, it has to be a bank as an institution engaged in credit and monetary affairs. The primary function of an intermediary bank is in the acquisition and allocation of funds for the purpose of taking and giving loans. The basic banking operations are: [1]

1. Collection of deposits and provision of funds,
2. Creation of money and credit approval,
3. Payment transactions.

Specialized and branch banks deal with certain types of banking operations, and from the standpoint of professional orientation speaks of close specialization and on the division of labor between banks. Most often it comes to investment banks, export - import banks, banks dealing with foreign affairs, the discount jobs, securities or group of jobs. Special types of banks are considered the Lombard and mortgage banks. Branch banks can be considered specific specialized banks dealing with certain banking activities, and the need for branches, groups or larger associations. There are different definitions of specialized banks and there will be described only some important definitions of specialized banks: [2]

1. They are defined as banks that specialize in the development of national economic sectors, engaged in business terms as commercial banks.
2. Specialized banks are banks that operate in the financing of economic projects, industrial, agricultural, commercial nature of which depends on her specialty (so there are Agricultural Bank, Industrial Bank, etc.).
3. Specialized banks are financial and banking institutions that deal with various credit instruments in the monetary and financial markets, and whose task is financial intermediation between specific types of lenders and borrowers.
4. Specialized banks are defined as those banks whose banking transactions are used to certain types of economic activity, such as industrial activities, agricultural activities or real estate activities, in accordance with resolutions of establishment and which do not take deposits as one of the main aspects of its activities.
5. These are specialized institutions or joint-stock companies whose primary objective is to provide loans to individuals or legal entities, in order to implement various types of economic projects, some agricultural projects, or projects in the field of real estate, and there in the banking legislation.

### **Types of specialized banks**

When talking about the banking industry in its most basic sense, we will start from the idea of the bank. There are different types of banks. They can be divided by maturity affairs to: commercial banks (operating current affairs) and investment banks (long-term jobs), in the business area to: commercial, agricultural, industrial banks ..., according to the territorial criterion on: municipal, regional, national, a multinational, etc. [3]

However, the most common classification of banks carried out by one complex criterion, which includes funds which the bank funds, sources of funds and their use, and that the division of the banks: transmitting (central) bank, commercial banks, commercial banks, investment, universal and other banks. [4] The Central Bank is the most important one bank banking system. Through its regulations regulate and supervise all monetary flows, i.e. the monetary policy of the country (this means that it is responsible for establishing price stability, economic growth, employment ...). It a transmitting function (only it can print money and withdraw money from circulation), as well as the "lender of last resort" (in the sense that in this way can prevent the bankruptcy of other banks). In any case, it is not a profitable institution, and her pro | fit and not the main motive of business, such as precious banks. Business banks have very polemical name, because this should be a bank or a company with a dominant own capital, and in our banks, which are called banks in its liabilities are predominantly borrowed capital. Nevertheless, it is the banks that perform both short- and long-term tasks, and can be owners of expensive companies whose profits increase the bank's own capital. Commercial banks are engaged in deposit operations and to receive funding short-term, by offering them further in the form of loans (residents and businesses). These banks are usually highly branched and have many branches.

Investment banks are engaged in mobilizing resources in the medium and long term. These funds are further directed to long-term investments (agriculture, industry ...). Their financially potential to form the basis of broadcasting long-term securities, and also have specialized in consulting fees in connection with the sale of securities. Universal banks are banks that deal with the most basic deposit operations and short-term loans, although essentially doing all kinds of jobs. Of course, we should bear in mind that this classic division of banks

increasingly lost its importance and that in the world today perhaps 90% of the banks are universal, i.e. working simultaneously all the business of banking, insurance, trade securities, have ownership in other companies. [5]

Other banks could be classified by not precisely defined certain activities as previously mentioned bank. They certainly have their own field of work, so in this group could enter banks that share e.g. to: commercial, agricultural, industrial ... and if they have not jobs defined in terms that each of them does. Certainly, it should be emphasized that at the present time, when everything tends to globalization, such divisions lose significance, so maybe the division of banks should include only: the central bank, universal banks and other banks, whereby the universal banks accounted for a majority percentage of banks, and other categories we could classify all other banks. Perhaps the best indicator of this claim would be the fact that the number of banks in the United States has decreased dramatically from 1970 when there were 13550, to 2001 when the number was 8080. [6]

### **The role of banks specializing in financing economic development**

There are varying features and functions of specialized banks from country to country, as determined by the economic capacity of each country and delegated to banks by professionals working in the development stage, which is specific and generalized process. Specialized banks provide funds as a component of production for these sectors and credit specificity in accordance with the plans of the state and directions of development of these sectors. There are strong links with the state and its various organs in many countries of specialized banks for financing. A general economic sector that are wholly owned by their government (the state) and the private sector, and thus sets the objectives and design strategies and policies that will assist in the investigation by the state because of its influence and importance within economic development.

Specialized banks should provide loans to medium- and long-term economic projects based on sound economic fundamentals, in order to ensure continuity and contributed to the process of economic development. When there is a need for projects to increase production, which require the presence of new machinery or adding some new production lines companies resort to borrowing from the banks so as to ensure that the Bank is properly funded and optimize the use of funds borrowed from it in the project so that the debtor is based on decisions to give credit for research, analysis and evaluation of the project which should be financed. This study of all aspects of technical, financial and marketing side needs to ensure project success in the future, so that the success of a project leads to a contribution in any aspect of economic development, as well as to secure return of borrowed funds in accordance with the agreement with the bank.

Since banks are specialized for direct investments through the establishment of new economic projects wholly owned or participates in the capital with the private sector, these projects, if successful, will be of great role and influence in economic development, but the success of these projects depends on the availability of component elements economic development and related to the natural resources and labor, organization and money. Specialized banks play an important role in the optimal use of production factors so that their opportunities in the organization of production elements not only bring money, but also provide technical advice and scientific studies, as well as assistance in finding appropriate solutions to the problems that may interfere with the success of economic projects. In addition to those previously mentioned roles, specialized banks play the following roles in economic development:

1. To supplement the work of commercial banks by providing services that are not accepted by commercial banks and private investment medium and long term.
2. To contribute to development in their areas of specialization.
3. To initiate cooperation with various parties in order to achieve certain goals, contributions, start the wheels of development in different sectors.
4. To provide the necessary funding for key sectors of the economy with low interest rates or no interest rates.
5. To provide technical consultation and training courses, training for workers in agriculture and industry to increase their competence and to inform them of the results of research and development in these areas.
6. To encourage the establishment of specialized companies entrusted with the implementation of the agricultural and industrial projects, as well as a construction of flats.
7. To work towards the establishment of various cooperatives this will help in the marketing of agricultural and industrial projects.
8. To find the area of investment in these vital projects.

### **Conclusion**

There is no doubt that the practice of specialized banks in establishing various economic projects limited its laws and banking by legislation according to the current state of the members and work attitudes of the legal organization of these banks, so that they are in line with economic conditions prevailing in the country in line with the trends and government policy towards economic projects and direction of economic development in general.

Many developing countries have developed plans for economic development, so that specialized banks play an important role in providing funding for various economic sectors, according to which commercial banks are often reluctant to finance them. Developing countries are now trying to create the atmosphere and the climate for investment and investment legislation so as to encourage that these investments find themselves in the activities of specialized banks which become responsible for the performance of their roles so by using its funds or participation in investments provide loans to owners of investment projects. If well formulated models of specialized banks, especially in agriculture, produce high-quality services and information to their customers then they will constitute an adequate basis and support the economic development of the country.

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