Banks invest heavily in shares and assets. They hardly make any investment in the business. QE has not been lending it more into productive assets like factories, plants and equipment. It has in fact stimulated the short term risky investments and has encouraged more speculation.

QE forces investors to step into ever-riskier investments. They may be bonds issued by less creditworthy businesses, or shares in companies with uncertain prospects.

The bank buying bonds makes them more expensive, so these securities are a less attractive investment. That means companies which have sold bonds may use the proceeds to invest in other companies or lend to individuals. If banks, pension funds and insurance companies are more enthusiastic about lending to companies and individuals, the interest rates they charge should fall, so more money is spent and the economy is boosted.

The growth of mergers and acquisitions. Adopting the policy of QE trillions of dollars are soaked into the world economy; that is why the M&A market has become more active.

To sum up we should mention that when the policy of QE is used investors change their strategy radically: they begin to risk more. The banks also revise their investment policy and choose more attractive securities to invest. Also they prefer non-local opportunities rather than to develop local businesses. However, QE promotes financial engineering rather than investments in real economy.

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BANKS AND THEIR ACTIVITIES

The banking industry can be divided into following sectors, based on the clientele served and products and services offered:

1. **Retail Banks:**

Retail banks provide basic banking services to individual consumers. Examples include savings banks, savings and loan associations, and recurring and fixed deposits. Products and services include safe deposit boxes, checking and savings accounting, certificates of deposit, mortgages, personal, consumer and car loans.

2. **Commercial Banks:**

Banking means accepting deposits of money from the public for the purpose of lending or investment. Commercial Banks provide financial services to businesses, including credit and debit cards, bank accounts, deposits and loans, and secured and unsecured

loans. Commercial banks act as financial intermediaries, raising funds from depositors and lending the same funds to borrowers.
There are two types of commercial banks, public sector and private sector banks.

3. **Public Sector Banks:**

Public sectors banks are those in which the government has a major stake and they usually need to emphasize on social objectives than on profitability.

4. **Private sector banks:**

Private sector banks are owned, managed and controlled by private promoters and they are free to operate as per market forces.

5. **Investment Banks:**

An investment bank is a financial institution that assists individuals, corporations and governments in raising capital by underwriting and/or acting as the client's agent in the issuance of securities. An investment bank may also assist companies involved in mergers and acquisitions, and provide ancillary services such as market making, trading of derivatives, fixed income instruments, foreign exchange, commodities, and equity securities.

6. **Cooperative Banks:**

Cooperative Banks are governed by the provisions of State Cooperative Societies Act and meant essentially for providing cheap credit to their members.

7. **Specialized Banks:**

Specialized banks are foreign exchange banks, industrial banks, development banks, export-import banks catering to specific needs of these unique activities. These banks provide financial aid to industries, heavy turnkey projects and foreign trade.

8. **Central Banks:**

Central banks are bankers' banks, and these banks trace their history from the Bank of England. They guarantee stable monetary and financial policy from country to country and play an important role in the economy of the country. Typical functions include implementing monetary policy, managing foreign exchange and gold reserves, making decisions regarding official interest rates, acting as banker to the government and other banks, and regulating and supervising the banking industry.

These banks buy government debt, have a monopoly on the issuance of paper money, and often act as a lender of last resort to commercial banks. The term bank nowadays refers to these commercial banks. The Central bank of any country supervises controls and regulates the activities of all the commercial banks of that country. It also acts as a government banker. It controls and coordinates currency and credit policies of any country.