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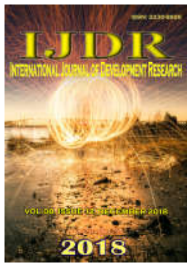

ORIGINAL RESEARCH ARTICLE

OPEN ACCESS

FINANCIAL SERVICES – BANKING & INSURANCE

[1]Dr. A. Malleswari Devi and [2]Devaki, A.

[1]Associate Professor in Commerce, SPW Degree & PG College, TIRUPATI
[2]Lect. in Commerce, Govt. Degree College, NAGARI

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ABSTRACT

Financial Services are the economic services provided by the finance industry, which encompasses a broad range of organizations that manage money, including credit unions, banks, creditcard companies, insurance companies, accountancy companies, consumer finance companies, stock brokerages, investment funds, real estate funds and some government sponsored enterprises. A financial institution is an establishment that conducts financial transactions such as investments, loans and deposits. Almost everyone deals with financial institutions on a regular basis. Everything from depositing money to taking out loans and exchanging currencies must be done through financial institutions. Here is an overview of some of the major categories of financial institutions and their roles in the financial system. Banks often provide a variety of financial services, including the issuance of loans, mortgages, checks, and credit cards. Some banks are known as private banks and offer services only to those who have a high net worth. Generally, private banks will offer a broader range of services to their clients than other banks. Insurance Companies pool risk by collecting premiums from a large group of people who want to protect themselves and/or their loved ones against a particular loss, such as a fire, car accident, illness, lawsuit, disability or death. Insurance helps individuals and companies manage risk and preserve wealth. By insuring a large number of people, insurance companies can operate profitably and at the same time pay for claims that may arise. Insurance companies use statistical analysis to project what their actual losses will be within a given class. They know that not all insured individuals will suffer losses at the same time or at all. India has a diversified financial sector, which is undergoing rapid expansion. India's services sector has always served the country's economy well, accounting for about 57 per cent of the gross domestic product (GDP). In this regard, the financial services sector has been an important contributor. The Government of India has introduced reforms to liberalize, regulate and enhance this industry. At present, India is undoubtedly one of the world's most vibrant capital markets. Challenges remain, but the future of the sector looks good. The advent of technology has also aided the growth of the industry

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INTRODUCTION

Financial services are the economic services provided by the finance industry, which encompasses a broad range of organizations that manage money, including credit unions, banks, creditcard companies, insurance companies, accountancy companies, consumer finance companies, stock brokerages, investment funds, real estate funds and some government sponsored enterprises. A financial institution is an establishment that conducts financial transactions such as investments, loans and deposits.

***Corresponding author: Dr.* A. Malleswari Devi**
Associate Professor in Commerce, SPW Degree & PG College, TIRUPATI

Almost everyone deals with financial institutions on a regular basis. Everything from depositing money to taking out loans and exchanging currencies must be done through financial institutions. Here is an overview of some of the major categories of financial institutions and their roles in the financial system.

Commercial banking services

A "commercial bank" is what is commonly referred to as simply a "bank". The term "commercial" is used to distinguish it from an "investment bank," a type of financial services entity which, instead of lending money directly to a business, helps businesses raise money from other firms in the form of bonds (debt) or stock (equity).

Investment banking services

Capital markets services - underwriting debt and equity, assist company deals (advisory services, underwriting, mergers and acquisitions and advisory fees), and restructure debt into structured finance products.

Private banking - Private banks provide banking services exclusively to high-net-worth individuals. Many financial services firms require a person or family to have a certain minimum net worth to qualify for private banking services. Private banks often provide more personal services, such as wealth management and tax planning, than normal retail banks.

Brokerage services - facilitating the buying and selling of financial securities between a buyer and a seller. In today's (2014) stock brokers, brokerages services are offered online to self trading investors throughout the world who have the option of trading with 'tied' online trading platforms offered by a banking institution or with platforms sometimes offered in a group by so-called online trading portals.

Foreign Exchange Services: Foreign exchange services are provided by many banks and specialist foreign exchange brokers around the world. Foreign exchange services include:
Currency exchange - where clients can purchase and sell foreign currency banknotes. Wire transfer - where clients can send funds to international banks abroad. Investment services, another type of financial service, generally deals with helping individuals and other entities invest their money in stocks, shares or funds. These services usually offer finance products for investors to buy, such as mutual funds. Usually, money invested with an investment service is managed by the service for the gain of the individual investor or a group of investors. Additionally, they may render professional advice to investors in exchange for payment. The Financial service offered by Post office includes Savings and Postal Life Insurance (PLI) / Rural Postal Life Insurance (RPLI). The Post Office small savings scheme provides a secure, risk free and attractive investment option for the small investors and offers the savings products across its 155000 Post offices. The Post Office savings bank is the oldest and by far the largest banking system in the country, serving the investment need of both urban and rural clientele.

These services are offered as an agency service for the Ministry of Finance, Government of India. Several products on offer serve various investment requirements of the customers. Such as:

Savings Bank account (SB),Recurring Deposit account (RD), Monthly Income Scheme (MIS), Public Provident Fund (PPF), Time Deposit (TD), Senior Citizens Savings Scheme (SCSS), National savings certificates (NSC) (VIII) issue, National Savings certificates (IX) issue. Post Office also offers Insurance product through Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) schemes with low premium and high bonus.

Commercial banks also make loans that individuals and businesses use to buy goods or expand business operations, which in turn lead to more deposited funds that make their way to banks. If banks can lend money at a higher interest rate than they have to pay for funds and operating costs, they make money. An investment bank is a financial intermediary that performs a variety of services for businesses and some governments. These services include underwriting debt and equity offerings, acting as an intermediary between an issuer of securities and the investing public, making markets, facilitating mergers and other corporate reorganizations, and acting as a broker for institutional clients. They may also provide research and financial advisory services to companies. As a general rule, investment banks focus on initial public offerings (IPOs) and large public and private share offerings. Traditionally, investment banks do not deal with the general public.

Investment Companies

An investment company is a corporation or a trust through which individuals invest in diversified, professionally managed portfolios of securities by pooling their funds with those of other investors. Rather than purchasing combinations of individual stocks and bonds for a portfolio, an investor can purchase securities indirectly through a package product like a mutual fund.

There are three fundamental types of investment companies: unit investment trusts (UITs), face amount certificate companies and managed investment companies. All three types have the following things in common:

- An undivided interest in the fund proportional to the number of shares held
- Diversification in a large number of securities
- Professional management
- Specific investment objectives

Let's take a closer look at each type of Investment Company.

Unit investment trust (UIT): A unit investment trust, or UIT, is a company established under an indenture or similar agreement. It has the following characteristics:

- The management of the trust is supervised by a trustee.
- Unit investment trusts sell a fixed number of shares to unit holders, who receive a proportionate share of net income from the underlying trust.
- The UIT security is redeemable and represents an undivided interest in a specific portfolio of securities.
- The portfolio is merely supervised, not managed, as it remains fixed for the life of the trust. In other words, there is no day-to-day management of the portfolio.
- Face amount certificate company: A face amount certificate company issues debt certificates at a predetermined rate of interest. Additional characteristics include:
- Certificate holders may redeem their certificates for a fixed amount on a specified date, or for a specific surrender value, before maturity.
- Certificates can be purchased either in periodic installments or all at once with a lump-sum payment.
- Face amount certificate companies are almost nonexistent today.

Management investment companies

The most common type of investment company is the management investment company, which actively manages a portfolio of securities to achieve its investment objective. There are two types of management investment company: closed-end and open-end. The primary differences between the two come down to where investors buy and sell their shares - in the primary or secondary markets - and the type of securities the investment company sells.

Closed-end investment companies: A closed-end investment company issues shares in a one-time public offering. It does not continually offer new shares, nor does it redeem its shares like an open-end investment company. Once shares are issued, an investor may purchase them on the open market and sell them in the same way. The market value of the closed-end fund's shares will be based on supply and demand, much like other securities. Instead of selling at net asset value, the shares can sell at a premium or at a discount to the net asset value. Open-end investment companies, also known as mutual funds, continuously issue new shares. These shares may only be purchased from the investment company and sold back to the investment company. Insurance Companies pool risk by collecting premiums from a large group of people who want to protect themselves and/or their loved ones against a particular loss, such as a fire, car accident, illness, lawsuit, disability or death. Insurance helps individuals and companies manage risk and preserve wealth. By insuring a large number of people, insurance companies can operate profitably and at the same time pay for claims that may arise. Insurance companies use statistical analysis to project what their actual losses will be within a given class. They know that not all insured individuals will suffer losses at the same time or at all. Banks often provide a variety of financial services, including the issuance of loans, mortgages, checks, and credit cards. Some banks are known as private banks and offer services only to those who have a high net worth. Generally, private banks will offer a broader range of services to their clients than other banks. Investment services, another type of financial service, generally deals with helping individuals and other entities invest their money in stocks, shares or funds. These services usually offer financial products for investors to buy, such as mutual funds. Usually, money invested with an investment service is managed by the service for the gain of the individual investor or a group of investors. Additionally, they may render professional advice to investors in exchange for payment. India has a diversified financial sector, which is undergoing rapid expansion. India's services sector has always served the country's economy well, accounting for about 57 per cent of the gross domestic product (GDP). In this regard, the financial services sector has been an important contributor. The Government of India has introduced reforms to liberalize, regulate and enhance this industry. At present, India is undoubtedly one of the world's most vibrant capital markets. Challenges remain, but the future of the sector looks good. The advent of technology has also aided the growth of the industry. About 75 per cent of the insurance policies sold by 2020 would, in one way or another, be influenced by digital channels during the pre-purchase, purchase or renewal stages.

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