THE BANKING AND NON BANKING INSTITUTIONS

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Banking Financial Institutions

- Banking financial institutions are in the business of taking deposits from the public and making loans.
- In addition, they provide other services such as investment banking, foreign exchange, and safe deposit boxes.
- These institutions are heavily regulated by governments to protect consumers and ensure that the banking system is stable

Types of Banking Financial Institutions

- Depository institutions include banks, savings and loans associations, credit unions, and mutual savings banks
- Non-depository institutions include finance companies, insurance companies, and pension funds

Non-Banking Financial Institutions

- Non-banking financial institutions (NBFCs) are companies that provide financial services such as lending, insurance, and investment banking but that are not regulated as banks.
- This means that they have a different set of rules and regulations to follow.

Types of Non-Banking Financial Institutions

- Insurance companies: These companies sell insurance policies to individuals and businesses. The policies can provide coverage for things like car accidents, medical expenses, or property damage.
- Investment banks: These banks help companies raise money by issuing and selling securities. They also provide advice on mergers and acquisitions, and they trade stocks and bonds.
- Pension funds: These funds provide retirement income for workers. The money is invested in stocks, bonds, and other assets.

What is IRDA Act, 1999

- The IRDA Act, 1999 is important legislation that governs the insurance sector in India.
- This act lays down the rules and regulations for insurance companies and intermediaries in India.
- It also protects the policyholders' interests and ensures that they get quality service from the insurers.
- The act was amended in 2002 and 2008.

Conclusion

- In conclusion, banks and non-banking financial institutions are both important players in the financial sector. However, they differ in terms of their functions and the products and services they offer. Banks are mainly focused on providing retail banking products and services, while non-banking financial institutions offer a wider range of products and services, including corporate banking, investment banking, and private banking. The act was amended in 1949, 1965, 1977 and 1985.

Thankyou