

Contents

What are Financial Services?.....	2
Nature/Characteristics of Financial Services:-.....	2
1. Intangible:.....	2
2. Customization:	3
3. Time Sensitivity:.....	3
4. Complexity:	3
5. Regulation:.....	3
6. Risk Management:	3
7. Information Asymmetry:	3
Types of Financial Services:-	3
1. Banking Services:.....	3
2. Investment Services:	4
3. Insurance Services:	4
4. Financial Planning Services:.....	4
5. Wealth Management Services:	4
6. Retirement Planning Services:.....	4
7. Estate Planning Services:	4
8. Tax Services:.....	4
9. Payment Services:.....	5
10. Foreign Exchange Services:	5
Scope of Financial Services:-.....	5
Fund Based Financial Services Vs Non-Fund Based Financial Services:-.....	5

Management of Financial Services M.COM.: Unit 1

Financial services refer to a broad range of services provided by financial institutions and intermediaries to individuals, businesses, and governments. These services encompass various activities related to managing money, investments, and risks. Some common examples of financial services include banking, investment management, insurance, brokerage, financial planning, and wealth management.

Financial services are a variety of services provided by banks, investment firms, and other financial institutions to help individuals and businesses manage their money, investments, and risks effectively.

What are Financial Services?

Financial services are basically the things banks and other financial companies do to help people and businesses manage their money and investments. This includes things like:

1. **Banking Services:** Like depositing money, taking out loans, and having different types of accounts.
2. **Investment Services:** Such as helping people buy and sell stocks and bonds to make more money.
3. **Insurance Services:** Providing protection against unexpected events, like accidents or damage to property.
4. **Brokerage Services:** Helping people buy and sell investments like stocks and bonds.
5. **Financial Planning:** Helping people make plans for their money, like saving for retirement or buying a house.
6. **Wealth Management:** Helping rich people manage their money and investments to grow their wealth.
7. **Payment Services:** Making it easier for people to move money around, like using credit cards or sending money electronically.

The term "financial services" typically refers to a broad range of activities and offerings provided by financial institutions and professionals to assist individuals, businesses, and governments in managing their finances effectively. This includes services such as banking, investment management, insurance, brokerage, financial planning, wealth management, and payment processing. These services play a crucial role in facilitating the movement and allocation of funds within the economy, managing risks, and helping individuals and organizations achieve their financial goals.

Nature/Characteristics of Financial Services:-

1. Intangible:

Financial services are intangible, meaning they cannot be seen, touched, or felt. Unlike physical goods, financial services are often experienced through interactions, transactions, and agreements.

2. Customization:

Financial services can be tailored to meet the specific needs and preferences of individual clients. Providers often offer personalized solutions based on factors such as risk tolerance, financial goals, and circumstances.

3. Time Sensitivity:

Many financial services are time-sensitive, meaning they must be delivered promptly and efficiently. This includes services such as fund transfers, loan approvals, and investment executions, where delays can have significant consequences.

4. Complexity:

Financial services can be complex due to the intricate nature of financial products and markets. Providers must possess specialized knowledge and expertise to navigate these complexities effectively and provide suitable solutions to clients.

5. Regulation:

Financial services are subject to extensive regulation and oversight by government authorities to ensure consumer protection, market stability, and fair practices. Compliance with regulatory requirements is a critical aspect of operating within the financial services industry.

6. Risk Management:

Financial services often involve managing various types of risks, including credit risk, market risk, liquidity risk, and operational risk. Providers employ risk management strategies and tools to mitigate these risks and safeguard the interests of clients.

7. Information Asymmetry:

There is often asymmetry of information between financial service providers and clients, with providers typically possessing more knowledge and expertise. Transparency and disclosure are essential to address this information gap and foster trust and confidence in financial transactions.

Types of Financial Services:-

1. Banking Services:

This includes basic services such as checking and savings accounts, loans (e.g., mortgages, personal loans), credit cards, and ATM services.

2. Investment Services:

These services help individuals and institutions invest their money to achieve financial goals. They include brokerage services for buying and selling stocks, bonds, mutual funds, and other securities, as well as investment advisory services and portfolio management.

3. Insurance Services:

Insurance companies offer a range of products to protect against financial losses due to unforeseen events. These include life insurance, health insurance, property insurance (e.g., home insurance, car insurance), and liability insurance.

4. Financial Planning Services:

Financial planners help individuals and families create comprehensive financial plans to achieve their goals, including retirement planning, education planning, estate planning, tax planning, and budgeting.

5. Wealth Management Services:

These services are tailored for high-net-worth individuals and families and include investment management, estate planning, tax optimization, philanthropic planning, and other specialized financial services.

6. Retirement Planning Services:

These services focus on helping individuals and businesses plan for retirement by setting up retirement accounts (e.g., 401(k), IRA), determining retirement income needs, and managing retirement investments.

7. Estate Planning Services:

Estate planners assist individuals in managing and distributing their assets according to their wishes upon death. This includes creating wills, trusts, and other legal documents to ensure the smooth transfer of wealth to heirs.

8. Tax Services:

Tax professionals help individuals and businesses navigate complex tax laws, minimize tax liabilities, and ensure compliance with tax regulations. Services may include tax preparation, tax planning, and representation before tax authorities.

9. Payment Services:

These services facilitate the transfer of funds between individuals, businesses, and financial institutions. They include credit card processing, electronic funds transfers (EFT), wire transfers, and mobile payment solutions.

10. Foreign Exchange Services:

These services involve the exchange of currencies for international trade, travel, and investment purposes. They include currency exchange, hedging against currency risks, and foreign currency accounts.

Scope of Financial Services:-

- **Deposit-taking:** Accepting deposits from individuals and businesses, such as savings accounts, current accounts, and fixed deposits.
- **Lending:** Providing loans and credit facilities to borrowers, including personal loans, mortgages, business loans, and lines of credit.
- **Payment Services:** Offering payment and transaction services, such as electronic fund transfers, wire transfers, and payment processing.
- **Brokerage Services:** Facilitating the buying and selling of financial securities, such as stocks, bonds, mutual funds, and exchange-traded funds (ETFs).
- **Investment Management:** Managing investment portfolios on behalf of clients, including asset allocation, portfolio diversification, and risk management.
- **Financial Advisory:** Providing investment advice and guidance to individuals and institutions to help them achieve their financial goals.
- **Life Insurance:** Providing coverage for individuals in case of death or disability, offering financial protection to beneficiaries.
- **Property and Casualty Insurance:** Offering protection against damage or loss to property, vehicles, and liability risks.
- **Health Insurance:** Providing coverage for medical expenses and healthcare services, including hospitalization, surgeries, and medications and etc.

Fund Based Financial Services Vs Non-Fund Based Financial Services:-

Feature	Fund Based	Non-Fund Based
Service Nature	Provides actual funds	Provides financial expertise or guarantees
Examples	Loans (personal, business, mortgage), credit cards	Letters of credit, guarantees, locker services, cash management services, investment banking, wealth management
Revenue Generation	Interest on the loaned amount	Fees charged for services rendered

Risk for Provider	High, as borrower may default	Lower, as no direct lending involved
Regulation	Stricter due to lending nature	Less strict, but specific regulations may apply
Benefits for Customer	Access to capital for various needs	Improved financial efficiency, convenience, security
Drawbacks for Customer	Debt burden, interest payments	May not directly provide needed funds, reliance on third parties
Typical Users	Individuals, businesses needing financing	Businesses, individual investors, high-net-worth individuals

#Fund Based Financial Services Vs Non-Fund Based Financial Services

Shikshasankranti.com