Arts and Science

Department of Commerce

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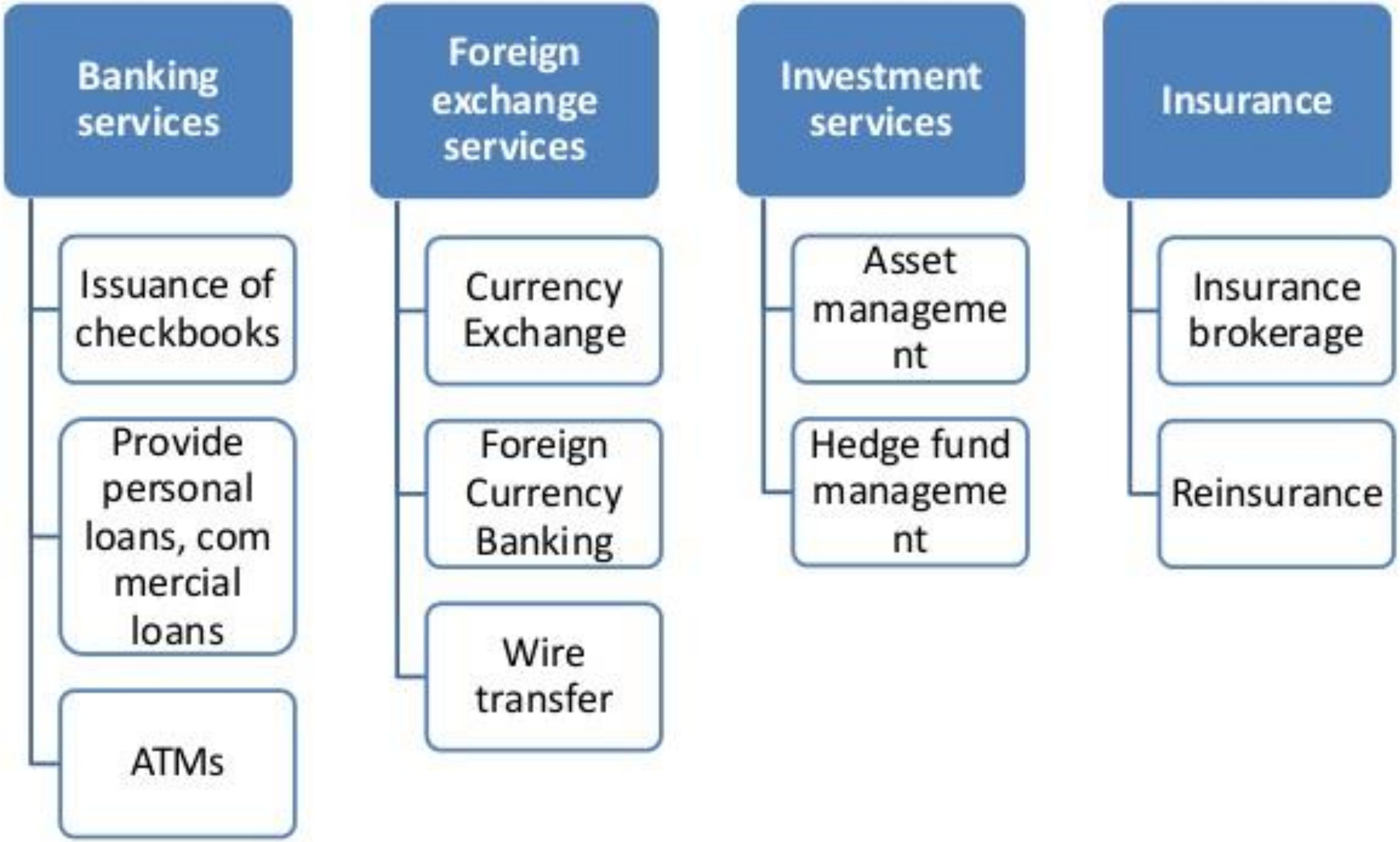
INTRODUCTION OF FINANCIAL SERVICE

Introduction

- **Financial services** refer to services provided by the finance industry.
- Services that are financial in nature.
- The finance industry encompasses a broad range of organizations that deal with the management of money.
- Among these organizations are banks, credit card companies, insurance companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises.

TYPES OF FINANCIAL SERVICES



TYPES OF FINANCIAL SERVICES

- Fund or asset based financial services
- Fee based financial services

Fund Based Services

- The firm raises funds through debt, equity, deposits and the bank invests the funds in securities or lends to those who are in need of capital.
- The following are some of these fund-based services such as:
  - Leasing and Hire Purchase
  - Housing Finance
  - Credit Cards
  - Venture Capital
  - Factoring
  - Forfeiting
  - Bill Discounting
  - Insurance

Leasing

- A lease transaction is a commercial arrangement whereby an equipment owner or Manufacturer conveys to the equipment user the right to use the equipment in return for a rental.
- In other words, lease is a contract between the owner of an asset (the lessor) and its user (the lessee) for the right to use the asset during a specified period in return for a mutually agreed periodic payment (the lease rentals).

Consumer Credit

- Consumer credit is basically the amount of credit used by consumers to purchase non-investment goods or services that are consumed and whose value depreciates quickly.
- This includes automobiles, recreational vehicles (RVs), education, boat and trailer loans but excludes debts taken out to purchase real estate or margin on investment accounts.
- For example, a mortgage for purchasing a house is not consumer credit. However, the 52 inch television you put on your credit card is consumer credit.

Hire Purchase

- A system by which a buyer pays for a thing in regular installments while enjoying the use of it. During the repayment period, ownership (title) of the item does not pass to the buyer. Upon the full payment of the loan, the title passes to the buyer.
- A method of buying an article by making regular payments for it over several months or years. The article only belongs to the person who is buying it when all the payments have been made

Factoring

- **Factoring** is a financial transaction whereby a business sells its accounts receivable (i.e., invoices) to a third party (called a factor) at a discount.

Bills Discounting

- While discounting , banks buy the bill before it is due and credit the value of the bill after a discount charge to the customer's account.
- There are two types of bill discounting
  - ***Import Bill Discount*** is a kind of short-term finance offered by the bank to the importer according to his demand upon receiving the bills under the letter of credit and the import collection items.
  - ***Export Bill Discounting*** is financing of money in transit supplied by the bank.

Thanking you

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