

Chapter 2

Financial Institutions

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Types of Financial Institution?

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What Is a Financial Institution (FI)?

- **is a company** engaged in the business of dealing with financial and monetary transactions such as deposits, loans, investments, and currency exchange.
- **Encompass (contain)** a broad range of business operations within the financial services sector **including** banks, trust companies, insurance companies, brokerage firms, and investment dealers.
- **Virtually everyone living** in a developed economy has an ongoing or at least periodic need for the **services** of financial institutions.

How Financial Institutions Work

- Financial institutions serve most people in some way, as financial operations are a critical part of any economy, with individuals and companies relying on financial institutions for transactions and investing.
- To play such an integral part of the economy. Historically, bankruptcies of financial institutions can create panic.

1. Central Banks

- **Central banks** are the financial institutions responsible for the oversight and management of all other banks.
- **Individual consumers do not have direct contact with a central bank**; instead, large financial institutions work directly with the Federal Reserve Bank to provide products and services to the general public.

Credit: <https://www.investopedia.com/ask/answers/061615/what-are-major-categories-financial-institutions-and-what-are-their-primary-roles.asp#central-banks>

Oversight = mistake



<https://www.ledgerinsights.com/thailand-cbdc-central-bank-digital-currency/>

Roles and Responsibilities of the Bank of Thailand (BOT)

According to the Bank of Thailand (BOT) Act B.E.2485 as amended by B.E.2551.

1. Print and issue banknotes and other security documents
2. Promote monetary stability and formulate monetary policies.
3. Manage the BOT's assets
4. Provide banking facilities to the government and act as the registrar for the government bonds
5. Provide banking facilities for the financial institutions.
6. Establish or Support the establishment of payment system
7. Supervise and examine the financial institutions
8. Manage the country's foreign exchange rate under the foreign exchange system and manage assets in the currency reserve according to the Currency Act.
9. Control the foreign exchange according to the exchange control act.

2. Retail and Commercial Banks

- Retail banks and Commercial banks refer entirely to depository institutions (meaning that they accept deposits from clients and make loans).
- They simply serve different clients, although most of the time "retail" and "commercial" banking simply refers to two sides of the same business.



<https://www.marketreview.com/retail-banks/>

2. Retail and Commercial Banks

- Traditionally, retail banks offered products to individual consumers while commercial banks worked directly with businesses.
- Currently, the majority of large banks offer deposit accounts, lending and limited financial advice to both demographics.
- Products offered at retail and commercial banks include checking and savings accounts, certificates of deposit (CDs), personal and mortgage loans, credit cards, and business banking accounts.

What Is Retail Banking?

Retail banking is what most people think of when they consider personal banking. It offers deposit, access and lending services to individuals among other financial services.

A "retail" business is one which operates on relatively small volumes, or one which offers goods and services for consumption rather than for use in another business.

การให้บริการทางด้านธนาคาร
พาณิชย์แก่บุคคลและธุรกิจ
ขนาดย่อม

Typical financial services offered by retail banks include:

1. Deposit accounts - Checking, savings and other forms of accounts where consumers can safely keep their money and potentially receive a rate of interest.
2. Secured individual lending - Mortgages, auto loans and other forms of lending to individuals based on a single, large asset that individual wants to purchase. This is often one of the largest sources of income for a retail bank.
3. Unsecured individual lending - Personal loans, lines of credit and credit cards issued to individuals for their own spending.
4. Certificates of deposit - Safe forms of relatively low interest investment.

Retail banking ประเภทธุรกิจ

ตัวอย่างกิจกรรม

- 1) ธุรกิจธนาคารลูกค้ารายย่อย
(Retail banking)**
- 2) ธุรกิจธนาคารลูกค้าบุคคลรายใหญ่
(Private banking)**
- 3) ธุรกิจบัตรต่าง ๆ
(Card services)**

1. การให้บริการด้านสินเชื่อ (รวมทั้งการค้าประกัน รับรอง
อ่าวัด และเช่าซื้อ) แก่ลูกหนี้รายย่อย และลูกค้าบุคคลรายใหญ่
2. การให้บริการด้านเงินฝากและบริการทางการเงินธนาคาร แก่
ลูกค้ารายย่อยและลูกค้าบุคคลรายใหญ่ เช่น การให้บริการตู้
นิรภัย เป็นต้น
3. การให้บริการบัตรเครดิต บัตรเดบิต บัตร **ATM** และ การ
ออกบัตรร่วมกับบริษัทต่าง ๆ (**Private labels**)
4. การทำธุรกรรมอนุพันธ์เพื่อป้องกันความเสี่ยง ของสถาบัน
การเงินเฉพาะกิจ ที่เกิดจาก **Portfolio** สินเชื่อที่ให้แก่ลูกหนี้
รายย่อย

What Is Commercial Banking?

1. **Commercial Banking** is any private banking institution. To engage in commerce.
2. Commercial Banking is one that offers banking services to businesses, governments and other institutions. It may also be called **Corporate banking**.

Typical financial services offered by Commercial banks include:

- 1. Deposit accounts** - Checking, savings and other forms of accounts where the institution can keep its money and potentially receive a rate of interest.
- 2. Secured and unsecured lending** - The bank may issue some loans based on collateral, such as to purchase a building or new vehicles. It may also issue unsecured loans such as a line of credit or a corporate credit card.
- 3. Cash access** - Through ATMs, checking accounts, wire transfers and other services the bank allows the institution to access its cash without physically withdrawing the money.

Collateral = parallel

Commercial banking ประเภทธุรกิจ

ตัวอย่างกิจกรรม

ธุรกิจธนาคารลูกค้ารายใหญ่ (Commercial banking)



1. การให้บริการสินเชื่อ (รวมทั้งการรับรอง ออวัล และ คำประกัน L/C) แก่ลูกค้ารายใหญ่
2. การให้สินเชื่อโครงการ (Project finance) และการให้สินเชื่อเพื่อการส่งออกและการนำเข้า (Trade finance)
3. ธุรกิจแฟกเตอร์ริง (Factoring) และธุรกิจให้เช่าแบบลีสซิ่ง (Leasing)
4. เงินลงทุนในหลักทรัพย์ในบัญชีเพื่อการธนาคาร
5. การทำธุรกรรมอนุพันธ์เพื่อป้องกันความเสี่ยงของสถาบันการเงินเฉพาะกิจที่เกิดจาก Portfolio สินเชื่อที่ให้แก่ลูกค้ารายใหญ่

The opposite of service.

retail banking

- Retail banking offers products to individuals for personal use.

commercial banking

- commercial banking offers its products to institutions for institutional and corporate use.

3. Internet Banks

- Is a financial institution with **no physical branches; everything is completed online.**
- There is **no ability to cash a check, deposit cash and or coinage and such.**
- To offer the same products and **services as conventional banks**, but they do so through online platforms instead of **brick and mortar** locations.



<https://www.quora.com/What-is-Internet-banking>

What Is Internet Banking or Online Banking?

- Online banking is the ability to access account information, make transfers, set up automatic payments and such via the Internet. Almost all financial institutions offer online banking as a means of reducing customers going to physical locations.
- Online banking allows a user to conduct financial transactions via the Internet.
- To offers customers almost every service traditionally available through a local branch including deposits, transfers, and online bill payments.
- Online banking, available both on desktop versions and through mobile apps.

Understanding Online Banking

→ With online banking, consumers aren't required to visit a bank branch to complete most of their basic banking transactions.

→ They can do all of this at their own convenience, wherever they want—at home, at work, or on the go.



How to Operate

1. Online banking requires a computer or other device, an Internet connection, and a bank or debit card.
2. To access the service, clients need to register for their bank's online banking service.
3. In order to register, they need to create a password. Once that's done, they can use the service to do all their banking.

Advantages of Online Banking

1. **Convenience is a major advantage of online banking.** Basic banking transactions such as paying bills and transferring funds between accounts can easily be done 24 hours a day, seven days a week, wherever a consumer wishes.
2. **Online banking is fast and efficient.** Funds can be transferred between accounts almost instantly, especially if the two accounts are held at the same institution. Consumers can open and close a number of different accounts online, from fixed deposits to recurring deposit accounts that typically offer higher rates of interest.
3. **Consumers can also monitor their accounts regularly closely.**
4. **Around-the-clock** access to banking information provides early detection of fraudulent activity.

Disadvantages of Online Banking

1. Online banking doesn't help if a customer needs access to large amounts of cash. While he may be able to take a certain amount at the ATM—most cards come with a limit—he will still have to visit a branch to get the rest.
2. Consumers are advised to use their own data plans, rather than public Wi-Fi networks when using online banking, to prevent unauthorized access.
3. Is to dependent on a reliable Internet connection. Connectivity issues from time to time may make it difficult to determine if banking transactions have been successfully processed.

4. Credit Unions

What is a credit union?

- A type of financial institution, **is a member-owned financial** cooperative, controlled by its members and operated on the principle of people helping people, providing its members credit at competitive rates as well as other financial services
- A credit union is **a type of not-for-profit** financial institution.
- To run by shareholders whose goal is to maximize profits, credit unions return all profits to its members in the form of more favorable interest rates.
- Credit unions run considerably smaller operations and may serve more limited needs than traditional banks.

5. Savings and Loan Associations (S&Ls)

สถาบันเงินกู้เพื่อที่อยู่อาศัย

- Is a financial institution that specializes in accepting **savings deposits and making mortgage and other loans.**
- To lend this money **to home buyers and other types** of borrowers.
- Financial institutions that are mutually held and **provide no more than 20% of total lending** to businesses fall under the category of savings and loan associations.

6. Investment Banks and Companies

- Investment banks **do not take deposits**; instead, they help individuals, businesses and governments raise capital through the issuance of securities.
- Investment companies, more commonly known as **mutual fund companies**, pool funds from individual and institutional investors to provide them access to the broader securities market.

7. Brokerage Firms

- Brokerage companies exist to help their clients match the other side of a trade, bringing together buyers and sellers at the best price possible for each, and extracting a commission for their services.
- Brokerage firms assist individuals and institutions in buying and selling securities among available investors.
- Customers of brokerage firms can place trades of stocks, bonds, mutual funds, exchange-traded funds (ETFs), and some alternative investments.

8. Insurance Companies

- Financial institutions that **help individuals transfer risk of loss** are known as insurance companies.
- Individuals and businesses use insurance companies **to protect against financial loss due to death, disability, accidents, property damage, and other misfortunes.**

9. Mortgage Companies

- Financial institutions that **originate or fund mortgage loans** are mortgage companies.
- Most mortgage companies **serve the individual consumer market**, some specialize in lending options for commercial real estate only.



<https://freshbangkok.com/the-top-10-largest-property-developers-in-thailand/>

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