

Welcome students.

In this module we are going to continue with the remaining three systems of banking that is, investment banking, mixed banking and universal banking.

Investment banking is also called industrial banking.

This type of banking was originated in Germany.

Which focuses on providing long-term finance To meet the working requirements as well as the long term requirements of a company.

So they provide long-term funds required for acquisition of fixed assets, which are required by a company for a long period of time.

For modernization.

For expansion of business.

And reorganization of the industry.

All these reasons require huge requirement of funds which can be

fulfilled by investment banking.

Next one is mixed banking.

Now mixed banking is basically a combination of deposit banking and investment banking.

In deposit banking we give

only short-term funds,

whereas in investment banking

they cater to long-term funds.

So when you see mixed banking,

it is basically a combination of deposit,

banking,

and investment banking.

This system of banking is popular

model in Germany and Japan.

Banks finance the long-term requirements

of industries as well as caters to the

short term needs of trade and Commerce.

The advantages of mixed banking.

First one is expert guidance.

For every investor,

whether he is worried about to invest

in short-term funds or long-term funds,  
there are experts in this bank  
wherein they will guide you exactly  
what you're looking for,  
so this reduces the burden of the customer.

Second one is credit needs.

As for the needs of the customer,  
mixed banking can cater or provide loans  
and other facilities to the customer.

Third, direct contact with the industries.

Since they provide long-term funds  
to the Industries, management feel that there should have one  
of the bank employee in their management.

So whenever they take any decision,  
this mixed banking can have a  
know how or what they're doing.

And the 4th one is the rapid industrialization.

When you go for short term funds as well as  
long term funds from one particular bank,  
you need not worry of going to  
different banks for the same function.

So this helps for rapid industrialization.

By concentrating on achieving your objectives.

The disadvantages of mixed banking first one is bad debts. Many times the companies or the customers cannot repay the long term funds which they have taken from a particular bank so automatically this leads to bad debts of a particular Bank thereby endangering the position of mixed banking.

Second, one speculative business when the.

Economy is doing well.

This type of banks will be doing rapidly well because the share prices of the companies will be going on increasing as well as the banks will get the refund of the amount which they have taken as well as they can also charge high interest rates.

Third, one scope for overland.

Sometimes in mixed banking there is a high scope for overland because.

When the customers deposit Money they always to be payable on demand,

so you never know when the customers

can demand their money back.

So when you give long-term funds

to other customers,

it is difficult to retrieve the

funds in a short span of time.

So this leads to overspending as well

as it leads to creation of more NPAs.

the 4th one is the threat to liquid ITI.

Sometimes when the banks cannot recover

funds from their customers which

they have given loans and advances,

it poses a serious threat to

their liquidity position.

As a result,

it might lead to liquidation

of that particular bank.

And the second one is Universal Bank.

In Universal Bank,

these banks are engaged in diverse

kind of banking facilities.

They do broad based and

comprehensive activities.

In India, State Bank of India is

practicing broad universal banking.

So here you can see Universal Bank actually

does different types of activities.

For example, first one giving off

loans and advances for the long term.

So in this way you can

increase your customer base.

Second, they provide working capital.

Working capital is the main

element for any business.

In order to survive in the

business for a long term,

you need to have a good and flexible

working capital.

Third, one corporate advisory services.

Universal Banks act as an advisor.

Whenever the customer wants any idea or

consultation while taking a decision.

Insurance.

They provide insurance for various

activities which they offer as

well as various services which

they offer to their customers.

Depository services: universal Banks

who provide depository services

especially with respect to shares, Debentures. There by the customers,

have more confidence in this type of bank.

Brokerage they also act as a

brokers when they want to purchase

and sell shares in the market.

If a customer is not having

sufficient knowledge,

he can always go to such banks

and ask for their advice.

However,

a Commission is charged for such

type of service. Venture capital.

This type of banks provide venture

capital to meet the requirements if.

The in the initial stages the

companies cannot find their business.

Underwriting new debt.

They provide underwriting features.

And last they also purchase equity shares.

Now all the services are provided

by Universal Banks at a minimal,

or it can be even at a standard rate.

So when a customer applies for such services,

he has to always pay some extra

amount for such types of services.

So in the conclusion, we have studied investment banking, mixed banking and universal banking as systems of banking,

thank you.