



# THIRUTHANGAL NADAR COLLEGE

(Belongs to the Chennaivazh Thiruthangal Hindu Nadar Uravinmurai Dharma Fund)

Selavayal, Chennai-51.

A Self-Financing Co-educational College of Arts & Science

Affiliated to the University of Madras

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An ISO 9001: 2015 Certified Institution

**NAME OF THE DEPARTMENT:COMMERCE (AF & BM)**

**SUBJECT :BANKING THEORY LAW & PRACTICE**

**TOPIC :UNIVERSAL BANKING**

**STAFF NAME :R.SHARMILA**

# MEANING OF UNIVERSAL BANKING

- ▶ Universal banking is a combination of Commercial banking, Investment banking, Development banking, Insurance and many other financial activities. It is a place where financial products are available under one roof.
- ▶ So a universal bank is a bank which offers commercial bank functions plus other functions such as Merchant banking, Mutual funds, Factoring, Credit cards, Housing finance, Auto loans, Retail loans, Insurance etc.

# ADVANTAGES OF UNIVERSAL BANKING

## 1. Investors trust

- ▶ Investors have full confidence and faith in the universal banks. They know that the universal banks will closely watch all the activities of the companies in which they hold a stake

## 2. Resource utilization

- ▶ If the client has a high risk taking capacity, then the universal bank will advise him to make risky investments and not safe investments.
- ▶ Similarly, clients with a low risk taking capacity are advised to make safe investments
- ▶ Today, universal bank invests their clients' money in different types of mutual funds and also directly into the share market
- ▶ So, they can also manage their clients' portfolios (different investments) properly

### **3. profitable diversification**

- ▶ UB diversify their activities. This saves cost for the UB. Even the day-to-day expenses will be saved because all financial services are provided under one roof (i.e. in the same office)

### **4. Easy marketing**

- ▶ The UB can easily market all their financial products and services through their many branches
- ▶ Example
- ▶ ICICI may ask their existing bank account holders in all their branches to take house loans, insurance to buy mutual funds etc.,

### **5. One -stop shopping**

- ▶ UB offers all financial products and services under one roof. This saves a lot of time and transaction costs. It gives benefits to both banks and their clients.

# Disadvantages of universal banking

## 1. Different rules and regulations

- ▶ UB offers all financial products and services under one roof however all these products & services have to follow different rules and regulations. This creates many problems

## 2. Conflict of Interest

- ▶ Combining commercial and investment banking can result in conflict of interest. some banks can give more importance to one type of banking and give less importance to the other type of banking however this does not make commercial sense

## 3. Effect of failure on banking system

- ▶ UB is done by very large banks. If these huge banks fail, then it will have a very big and bad effect on the banking system & the confidence of the public