



Department of Economics

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Non- Bank Financial Institutions

(NBFIs)

Introduction

- ❑ Institutions other than banks that offer financial services.
- ❑ A **non-bank financial institution (NBFI)** is a financial institution that does not have a full banking license or is not supervised by a national or international banking regulatory agency. NBFIs facilitate bank-related financial services, such as investment, risk pooling, contractual savings, and market brokering. Examples of these include insurance firms, currency exchanges.

Types of NBFIs

-  Deposit taking institutions
-  Risk-pooling institutions
-  Contractual saving institutions
-  Market makers
-  Specialized sectoral financiers
-  Financial service providers



Role and functions of NBFIs

1. Financial intermediation
2. Economic basis of Financial intermediation
 - ∞ Law of large numbers
 - ∞ Economies of scale
3. Inducement to save
4. Mobilisation of saving
5. Investment of funds





State Bank of India



■ **State Bank of India (SBI)** is a multinational banking and financial service company based in India.

■ On recommendations of All-India Rural Credit Survey Committee, the Imperial Bank of India was nationalised and changed into State Bank of India on 1st July 1955 under State Bank of India act of 1955.

■ It is a government- owned corporation with its headquarters in Mumbai.

Developmental role played by SBI

1. Personal banking services

- 24 hour ATM facility
- SBI term deposits
- SBI loan for pensioners
- SBI recurring deposits
- Loan against shares and debentures
- SBI car loan



- ❖ Rent plus scheme
- ❖ SBI education loan
- ❖ Medi-plus scheme
- ❖ SBI personal loan

2. Agricultural Banking

- ❖ Leader of Agricultural finance in country
- ❖ Caters needs of agriculturists and landless labours through 8750 rural and semi- urban branches
- ❖ 428 ADB branches





3. Micro credit provision

- ❑ Actively participated in SHG-Bank credit linkage programme
- ❑ SBI share approx 23% of total SHGs financed by commercial banks (march 2012)

4. Promotes RRBs

- Sponsored 17 RRBs, which operate in 124 districts of 17 States with a network of 2,651 branches (31/3/2010)



5. Heads the State level Banker's committee

- ✓ SLBC is an inter- institutional forum for coordination of joint implementation of developmental programmes and policies by all the financial institutions operating in the state

6. Financial Inclusion

- Financial services at low rate of interest to priority sectors like agriculture, poultry, dairy, bee keeping ,piggery etc.



Regional Rural Bank

RRBs






- Regional rural banks were established on 2 oct 1975 under Narasimhan committee
- Today the share of capital of a regional rural bank these bank are in ratio of 60,20 and 20 by central govt, state govt and sponsoring bank respectively.
- It provides loans to rural areas, under the supervision of NABARD



- Focus on Agriculture and small industries. They provide personal banking services as banking, loan, education loan, housing loan
- The main goal was to provide credit to the rural people who are not economically strong enough, especially the small and marginal farmers, artisans, agricultural labours, and even small entrepreneurs.

Objectives of RRBs



-  Provide cheap and liberal credit facilities to small and marginal farmers, agriculture labourers, artisans, small entrepreneurs and other weaker sections
-  Save the rural poor from money lenders
-  Cultivate banking habits among rural people and mobilise savings for economic development of rural areas



- ✎ Increase employment opportunities by encouraging trade and commerce in rural areas.
- ✎ Encourage rural entrepreneurship
- ✎ Fulfil the needs of backward areas which are not covered by other efforts of government
- ✎ Develop under developed regions ,remove economic disparity between regions, accelerate economic growth in particular region.

Functions of RRBs

- Grant loans and advances to small farmers and agricultural labourers to start their own farming activities
- Provides banking services at door step of rural people
- Charges lower rate of interest





- Provide loan and other financial assistance to entrepreneurs in villages, sub-urban areas and small towns
- Loans to artisans
- Encourage saving habit among rural and semi-urban population