



Introduction to Financial Institutions

Understanding the backbone of modern economies



What is a Financial Institution?

Organizations that facilitate the movement of money and manage financial transactions for individuals, businesses, and governments.

Intermediaries

Connect savers with borrowers

Trust

Safeguard deposits and assets

Efficiency

Enable smooth financial transactions

Types of Financial Institutions

Commercial Banks

Personal &
business banking



Central Banks

Monetary policy &
regulation

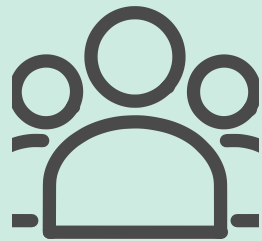
Insurance Companies

Risk management &
protection



Microfinance

Small loans for
entrepreneurs



Investment Funds

Portfolio management &
growth

Commercial Banks: Main Functions

1 **Accept Deposits**

Checking and savings accounts from individuals and businesses

2 **Provide Loans**

Mortgages, auto loans, and credit lines for customers

3 **Payment Services**

Process checks, transfers, and digital payments

4 **Financial Products**

Offer credit cards, investment services, and advisory



Central Banks: Role and Importance

Key Responsibilities

- Control money supply and interest rates
- Regulate and supervise banking system
- Maintain financial system stability
- Act as lender of last resort



Non-Bank Financial Institutions

1

Insurance Companies

Provide coverage against risks like health, property, and life events. Pool premiums to pay claims.

2

Microfinance Institutions

Serve underbanked populations with small loans and financial services for entrepreneurs and individuals.

3

Investment Funds

Manage pooled money from investors to purchase stocks, bonds, and other securities for portfolio growth.



Activity: Match Institution to Function

Instructions: Connect each financial institution to its primary function.

Institution	Primary Function
Commercial Bank	Sets monetary policy
Central Bank	Accepts deposits, grants loans
Insurance Company	Pools investments for growth
Investment Fund	Manages risk and protection

Why Financial Institutions Matter

Savers
Earn returns on
deposits



Borrowers
Access capital for
growth

Economy
Achieves productive
investments



Comprehension Check

Question 1

Name three main functions of a commercial bank.

Question 2

What distinguishes a central bank from other financial institutions?

Question 3

How do non-bank institutions support financial inclusion?