

# The us financial institutions essay examples

[Business](#), [Company](#)



Financial institutions are organizations that are involved with the provision of financial services, for instance, investment services, loans or investment services. These financial services are offered individuals or also businesses. They can either be local or even global in the provision of these products and services and their running.

## **Financial Services Corporations**

Financial Services Corporations are large conglomerates that combine different financial institutions within a single Corporation. Initially, they only dealt with a single area but now cover a wide area. Financial services corporations are institutions that deal with provision of financial services to the general population. Furthermore, these are institutions that own banks, insurance companies, pension plan operations, investment banking houses, pension plan operations and mutual savings banks among other financial institutions. Such corporations have representatives all over the country and also have a presence around the world. It can also be described as a conglomerate since it deals with many areas related to finance based on the constituents of the businesses under it. An excellent example is Citigroup that was a conglomerate of Citibank (banking institution), travelers (insurance company) and Smith Barney (investment bank) together with various subsidiaries that were in operation around the world.

The main advantage for such an institution is that it would be easy to establish a global presence since it deals with various aspects of financial services. They have the capability of growth, and would be more advantageous if a financial services corporation was able to merge a bank that already had a global presence. It would be easier to have enormous

returns since they have a wider reach and the institution would tend to be profitable. Thus, growth will be considerably enormous due to the amalgamation with various banks. Such corporations are also effective since they have an established and strong corporate image based on their scale of establishment.

Besides this, financial services corporations also face a significant risk that results from its constituent formation. The main risk is bankruptcy since the institution would sometimes find it had to control the various companies under it and also have a keen eye on the running and organization. The global economic crisis is to blame as for the problems and financial crisis that financial services corporations are at a risk of facing. Since the number of businesses within the financial corporation is enormous, risks are increased and would impact negatively on the whole organization at large.

## **Savings and Loan Associations**

Savings and loan associations (S&Ls) are corporations described as deposit-taking financial intermediate. S&Ls are corporations chartered either by the federal state in which they operate or by the Federal Home Loan Bank Board (FHLBB). Such associations primarily accepted deposits from a large number of small savers and then used the combined funds to loan it to consumers, for instance, home buyers. As time went by, S&Ls were allowed to make larger stakes within the financial sector with bigger risks. These included investments like real estate management. Presently, S&Ls have been acquired by banks.

Thus, the main advantage of this institution is that the provision of loans is easy and lending rates are favorable to borrowers from this institution.

Saving finances are an aspect that cannot miss in any population since individuals are always financially aware to save for future use. Therefore, individuals and business in need of this institution are large in scope.

The main disadvantage of this institution is that they have at least 65% of their lending in mortgages and consumer loans. These means that financial risks are raised because of defaulters from the consumer loans as well as housing downturns that affect the mortgages negatively.

## **Mutual Savings Banks**

Mutual Savings banks or MSBs are corporations that accept money from savers and use these funds to buy stocks, long-term bonds and short-term debt instruments issues by government units or businesses. MSBs can be described as similar to S&Ls, but the difference is that they operate mostly in the North Eastern states. Presently, MSBs have been acquired by banks. The funds in this institution are mutually held, in that, those who deposits as well as those who borrow from MSBs are members with the right to determine how their funds are to be used. Thus, they play a crucial role in manage and also direct how the finances are used.

These organizations get all the funds together thus reduce the risks by diversification. Furthermore, MSBs achieve economies of scale through the analysis of securities, management of portfolios and also the buying and selling of securities. The different funds are used to meet the diverse needs of the savers within its membership. For instance, there exist bond funds for those who prefer safety and stock funds for those members or savers who prefer risks at the hope of higher returns in the end among other members needs. Thus, MSBs cater for a wide array of needs by the consumer and is

looked upon as an effective corporation for investments.

In conclusion, the various financial institutions in the U. S. deal with various financial needs of individuals and consumers. Most of the time, risks are involved , and losses are experienced but financial still make an importance part of the economy and have a vital role in economic development.

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